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ABSTRACT

Testimonies are presented from U.S. Senate hearings on the Basic Educational Opportunity Grant Program (Pell grant program) for the 1982-1983 academic year. The proposed schedule is tied to an expected appropriation of $2.187 billion for Pell grants for fiscal year 1982. The administration's alternative involving no statutory changes would require a family to contribute at least 40 percent of its discretionary income to a student's education. The second alternative proposed by the administration would make major, substantive changes in the provisions of the Education Amendments of 1980. Among these are: setting the maximum Pell grant at $1,670 and 50 percent of the student's cost of attendance, as opposed to the $2,100 and 60 percent contained in the 1980 amendments for the 1982-83 school year; reinstituting home equity and stipulating that only $30,000 of home equity could be excluded from the calculation of a family's assets, as opposed to the provision in current law excluding all home equity from consideration in calculating a family's assets; reducing remaining assets from $10,000 to $8,000; allowing the Secretary of Education to establish certain cost of attendance allowances for the Pell Grant Program; treating veterans and Social Security educational benefits as part of the family contribution; and treating the income and assets of married independent students who have no dependents other than a spouse in the same manner as those of single independent students. Views of representatives of the government, colleges, and educational groups are presented, and an application form and draft instructions for 1982-1983 federal student aid are presented. (SW)

ED217816

FAMILY CONTRIBUTION SCHEDULE FOR THE BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM, 1981

HEARING

BEFORE THE

SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES

OF THE

COMMITTEE ON LABOR AND HUMAN RESOURCES UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

ON

EXAMINATION OF THE FAMILY CONTRIBUTION SCHEDULE FOR THE BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM FOR THE ACADEMIC YEAR 1982–1983

OCTOBER 29, 1981

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FAMILY CONTRIBUTION SCHEDULE FOR THE BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM, 1981

THURSDAY, OCTOBER 29, 1981

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ART AND HUMANITIES,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, D.C.

The subcommittee met, pursuant to notice, in room 4232, Dirksen Senate Office Building, commencing at 2:30 p.m., Senator Robert T. Stafford (chairman of the subcommittee) presiding.

Present: Senators Stafford and Pell.

OPENING STATEMENT OF SENATOR STAFFORD

Senator STAFFORD. The Subcommittee on Education, Art and Humanities will please come to order.

We have called this hearing today to consider the family contribution schedule proposed by the Secretary of Education for the Pell grant program for the 1982–83 academic year.

The Pell grant program, so named to honor my good friend and colleague from Rhode Island, Senator Claiborne Pell, is among our most important education programs. It is the principal mechanism of access to higher education for the least advantaged in our society. Thus, the Pell grant program fulfills the basic Federal responsibility in education—the maintenance and extension of equality of opportunity.

At a time when the growth in cost of college attendance exceeds the rate of inflation, it is imperative that we continue to have in place a viable program of financial assistance for young people such as the Pell grant program. I am only too painfully aware of the great promise of the Middle Income Student Assistance Act of 1978 and of last year's Education Amendments, which provided for greater Pell grant benefits for greater numbers of needy students.

While I recognize the need to reduce our overall level of Federal spending, the funding level for the Pell grant program achieved in the budget reconciliation process earlier this year represents the bare minimum necessary to fund adequately millions of students who, even with the support of family resources, employment earnings, State assistance, and other Federal student aid programs, will still have considerable unmet need.

After reviewing the proposed family contribution schedule sent to the Congress on October 13, after a delay of over 2 months by

the administration, I have a number of concerns over the impact this schedule will have on many students currently eligible for Pell grants. The administration is also proposing legislative changes as an alternative to its family contribution schedule. I look forward to hearing the justification for these proposals, and the reaction of the education community to the legislating proposals as well as to the actual family contribution schedule.

I am also hopeful that the severe dislocation experienced by students and institutions in the last 2 years due to delays in receiving notification of Pell grant awards will not recur. Almost as important to students as the amount of their Pell grant awards is the timing of these awards, so that students, especially those deciding which institution of higher education to attend, can make informed choices as to the financing of their education. The delay and uncertainty of the past two Pell grant payment cycles has resulted in thousands of prospective students postponing their college education. Although I would hope that the resolution of this issue is satisfactory to all concerned parties, it is absolutely essential that the final payment schedule be both equitable and timely.

Senator Pell, do you have an opening statement?

OPENING STATEMENT OF SENATOR PELL

Senator PELL. Thank you, Mr. Chairman.

Mr. Chairman, the proposed family contribution schedule confirms my worst fears over the extremely harmful effect the administration's recommendations would have upon the effective operation of the Pell grant program.

First, the proposed schedule is tied to an expected appropriation of $2.187 billion for Pell grants for fiscal 1982. This is more than $450 million below the $2.65 billion authorized by the Congress in the Budget Reconciliation Act. We considered the $2.65 billion an absolute minimum when we cut the Pell grant authorization earlier this year, and I would hope we would not retreat from that figure.

Second, if we accepted the administration's alternative that involves no statutory changes, we would be requiring a family to contribute at least 40 percent of its discretionary income to a student's education. On an average, this would mean that no family with an income of more than $16,000 would be eligible to receive a Pell grant. That would constitute a total rejection of the Middle Income Student Assistance Act. To my mind, it is an unacceptable alternative, and one that should be rejected.

Third, the second alternative proposed by the administration is little better. It would make major, substantive changes in the provisions of the Education Amendments of 1980. Among these are: Setting the maximum Pell grant at $1,670 and 50 percent of the student's cost of attendance, as opposed to the $2,100 and 60 percent contained in the 1980 amendments for the 1982-83 school year; reinstituting home equity and stipulating that only $30,000 of home equity could be excluded from the calculation of a family's assets, as opposed to the provision in current law excluding all home equity from consideration in calculating a family's assets; reducing remaining assets from $10,000 as provided in the 1980

amendments to $8,000; deferring for a second consecutive year the liberalized cost of attendance provisions of the 1980 amendments, thus denying recognition of the increased cost of living over the past 2 years.

Fourth, the administration proposals would mean that somewhere between 800,000 and 850,000 students now receiving Pell grants would be dropped from the program. These changes would be particularly harsh upon middle income families, the people who bear the heaviest tax burden in our Nation and who would find the dream of a college education for their children very difficult to achieve.

I would urge, therefore, that my colleagues reject the proposed family contribution schedule. I would also hope that we might reiterate our support for an appropriation of $2.65 billion and inclusion in the family contribution schedule of as many of the provisions of the 1980 amendments as possible, given the limitations of the $2.65 billion authorization.

Thank you.

Senator STAFFORD. Thank you very much, Senator Pell.

I believe the Chair's intent now is to call up our witnesses in the order in which they are listed.

Before doing that, though, I would like to apologize to our witnesses for the fact that the chairman is going to have to leave at 2:55 p.m.; so Senator Pell will be here to continue these hearings until I can get back and until they are concluded.

Senator PELL. And we will be interrupted, too, by a couple of roll-call votes.

Senator STAFFORD. That is correct.

Having said that, and having apologized in advance, I will ask Dr. Edward Elmendorf, who was one of Vermont's college presidents and he is now Deputy Assistant Secretary for Student Financial Assistance—if he will now present his statement.

STATEMENT OF DR. EDWARD M. ELMENDORF, DEPUTY ASSISTANT SECRETARY FOR STUDENT FINANCIAL ASSISTANCE, DEPARTMENT OF EDUCATION; CHARLES B. SAUNDERS, JR., VICE PRESIDENT, AMERICAN COUNCIL ON EDUCATION; AND DALLAS MARTIN, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS, A PANEL

Dr. ELMENDORF. Thank you, Mr. Chairman, and members of the committee.

I would like to take this opportunity to thank you for giving me a chance to bring before you the Pell grant proposal, the family contribution schedule which we have worked to develop——

Senator STAFFORD. Doctor, these mikes do not work any too well. Could you pull that one closer to you?

Dr. ELMENDORF. How is that?

Senator STAFFORD. That is fine.

Dr. ELMENDORF. I would also ask for your indulgence, not having testified before, so if I miss a couple of protocol steps, I hope you will remind me.

I would like first, with your concurrence, to take my entire testimony and have it introduced into the record in the form in which

it is prepared, and I will prepare a 15- or 10-minute digest of the testimony in the hope that we could move along to the other witnesses.

Senator STAFFORD. Go ahead, Doctor. We will place your entire statement in the record as if read, and you can summarize it.

Dr. ELMENDORF. The ed amendments of 1980 mandated a common need analysis for Pell grants, and the three major campus-based aid programs beginning with the 1982-83 award year. That formula was more liberal than the family contribution schedule. Additionally, the 1980 amendments further liberalized the Pell grant program by providing a series of increases in the maximum award and the percentage of cost of attendance for which the grants could be used.

I would like to note for the record that these liberalizations were put into effect for 1982-83, using the assessment rates on discretionary income along the lines of what the Secretary proposed in March 1981. The cost of the Pell grant program would exceed $4 billion.

In recent weeks, Congress and the administration have recognized the need to limit the Pell grant program costs. The Congress, by establishing a spending ceiling, and by giving the Secretary the authority to set assessment rates on discretionary income in the authorizing legislation, enacted as a part of the Omnibus Budget Reconciliation Act of 1981 for the administration in the fiscal 1982 proposed spending level of $2.187 billion. The formula which results from applying the ed amendments of 1981, the $2.187 billion in the administration's budget proposal, contains relatively harsh or stringent assessment rates. They begin at 40 percent of the first $5,000 of discretionary income, even though we proposed to maintain a maximum award in percent of cost of attendance at last year's level.

An optional means for keeping Pell grant expenditures at a level in the budget proposal would be to use the statutory reduction language contained in the Pell grants authorizing legislation. We have looked at this and we have rejected this proposal primarily because it would contain serious negative effects on students from the lowest income families. After the initial reduction of awards, based on a student's eligibility index, an additional flat percentage rate of reduction would be levied against every award. If we were to accept and attempt to reach the proposed funding level with a legislative maximum award of $1,670, using this statutory language, with assessment rates on discretionary income contained in our alternative proposal, which I shall outline momentarily, the maximum Pell grant award would be $1,169.

Therefore, we are proposing what we consider to be a better alternative to either the high assessment rates first mentioned or the statutory reduction procedures. We are proposing a series of statutory amendments which we believe will merit a more equitable distribution of Pell grant funds. These amendments will permit us to develop a formula which will serve what we consider to be four important objectives.

First, to avoid extreme reductions in awards to students from the lowest income families. Second, to avoid the necessity of establishing excessively high assessment rates on discretionary income.

Third, to remove several inequities in awards to students which occur because of statutory requirements as to how certain assets and resources are treated.

Fourth, to insure that need analysis for the three campus-based programs is allowed to proceed, using traditional community developed methods and unaffected by the efforts to hold down Pell grant expenditures.

We are therefore proposing the following statutory amendments to accomplish these objectives:

First, keep the maximum 1982-83 grant and cost of attendance limitation at the same level as they are in 1981-82; that is $1,670 maximum award; that is $1,750 less $80 to meet up the 50-percent cost of attendance.

Second, the formula will apply to the Pell grants only. That is an important distinction. The second will continue as in past years to establish benchmarks which other systems must meet to be approved for determining eligibility for campus-based aid.

Third, cost of attendance allowances for off-campus room and board and other areas which do not involve institutional charges would be determined by the Secretary.

Fourth, assess home equity as the first—after first subtracting $30,000 asset reserves. It should be noted from the inception of this program that home equity has always been assessed.

Also, we are proposing an $8,000 reserve against personal assets and reserves of $50,000 for farm and business assets. For example, this proposal would allow the following treatments for farmers: A $50,000 reserve against farmland, a $50,000 reserve against farm machinery, livestock, that is business assets of the farm, a $30,000 reserve against farm home and $8,000 reserve against personal assets or a cumulative total of $138,000 reserve total potential for farmers.

Next, we would treat Veterans' Administration and social security benefits as part of the family contribution. We would also propose a couple of technical changes in the treatment of students' income and assets which we will create more equity in the distribution of limited funds and, finally, we propose the elimination of $57.50 for administrative allowances.

If these statutory changes are enacted into law, we feel it will be possible to establish a more equitable formula. One way in which the formula will result in greater equity is that the assessment rates can be substantially reduced since additional resources will be assessed.

Here is an example of how the formula developed to Federal law is different from the treatment in the statutory proposals which were enacted.

Let us take a family of four, two parents working, one student in college, and no assets above the level of reserves. Based on the 1982-83 notice of proposed rulemaking, which relies on current law, the student remains in the eligibility pool up to an adjusted gross income of $18,560. If the 1982 formula were changed and you were to accept the administration's proposal, the student's eligibility pool adjusted gross income would go to $27,054.

The assessment I make from that is that we can nearly maintain what we now have in the way of the 1981-82 formula by successful

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consideration of the administration's proposed alternative and statutory amendments.

Thank you, sir.

[The prepared statement of Dr. Elmendorf follows:]

STATEMENT OF

DR. EDWARD M. ELMENDORF

DEPUTY ASSISTANT SECRETARY

FOR STUDENT FINANCIAL ASSISTANCE

Testimony

for the Proposed Need Analysis Formula to be Used in the 1982-83 Award Year for the Three Campus-Based Student Aid Programs and the Pell Grant Program

Thank you for the opportunity to be with you today to discuss the Administration's proposals for determining eligibility for Pell Grants and for aid from the three campus-based programs (National Direct Student Loans, College Work-Study, and Supplemental Educational Opportunity Grants) during the 1982-83 award year. First I would like to make it clear that the proposed formula published October 16 does not, in several key respects, represent the Administration's prefered policies for determining need under these programs. The published proposed regulation is based on current law. The full Administration policy request, set forth in the preamble of the proposed regulation, includes statutory amendments which would allow for more equitable distribution of Pell Grant awards while preserving the traditional distinction between Pell Grant eligibility and need analysis for the three campus-based programs. These legislative proposals also reflect provisions in the President's FY 1982 budget request.

I appreciate this opportunity to discuss both the proposed regulation based on current law and the Administration's legislative proposals.

As you know, the Education Amendments of 1980 mandated a common need analysis for Pell Grants and the three campus-based aid programs beginning with the 1982-83 award year. The objective was to have a single expected family contribution number, determined through a single formula, to be used for all four programs.

In the context of the Pell Grant Program, the 1980 amendments liberalized the former Basic Grant family contribution schedules in several important respects. And, they also provided that for the 1982-83 academic year the maximum Pell Grant would be $2,100 and that the grant could be used to meet up to 60 percent of a student's cost of attendance.

Subsequent to the enactment of the Education Amendments of 1980, the Congress became concerned about the liberalizations for the Pell Grant Program contained in those amendments which had serious cost implications for the Federal budget. Congress recognized the need to limit expenditures in the Pell Grant Program by providing, in the Omnibus Budget Reconciliation Act of 1981, an authorized spending ceiling of $2.65 billion and by giving the Secretary the authority to set the assessment rates on discretionary income. This new law also allows the Secretary to request a waiver of any provision of the Pell Grant authorizing legislation (such as maximum award or percent of cost of attendance) to meet the authorized funding level.

If the formula mandated by the Education Amendments of 1980 were to be implemented using assessment rates which average 20 percent on the first $15,000 of discretionary income, and progressively higher rates above that level, the total cost for the Pell Grant Program would reach about $4 billion assuming the maximum award and percent of cost of attendance set forth in the Education Amendments of 1980 were also used.

In the weeks which have elapsed since the Omnibus Budget Reconciliation Act was enacted, it has become apparent that Pell Grant expenditures must be held at a level lower than that authorized in that Act if our efforts to control Federal spending are to succeed. Thus, for Fiscal Year 1982 the Department is proposing to hold Pell Grant expenditures at $2.187 billion. This amount is 12 percent below that which was included for the Pell Grant Program in our FY 1982 budget submission in March of this year. To maintain this level within the context of the current law, the published formula assumes the maximum award, and cost of attendance percentage limitation used in the 1981-82 academic year and includes a series of progressive assessment rates on discretionary income which are relatively harsh. They begin with a rate of 40% on the first $5,000 of discretionary income and increase in increments of 5% and $5,000 up to 55% for all discretionary income above $15,000.

Using these rates $3,875 would generally be the maximum amount of discretionary income that the family could have and still be eligible for a Pell Grant. A discretionary income of $3,875 would result from an adjusted gross income figure of approximately $15,860 for a family of four with both parents working and paying four percent of their income for State and local income taxes, and a typical amount for Federal income taxes. The higher assessment rates, thus, would generally only be applicable to the assessment of the student's need for the three campus-based programs.

Therefore, unless the maximum award were to be reduced well below the 1981-82 academic year level of $1,670 - undoubtedly forcing many students from the lowest family income levels to leave school - reducing the maximum award and percent of cost of attendance would not be sufficient to avoid the necessity of extremely high assessment rates on discretionary income in order to meet the proposed funding level for the program.

Another option for meeting the proposed funding level would be to lower the assessment rates but reduce awards on the basis of the statutory reduction language contained in the Pell Grant authorizing legislation. However, this method --as a means for achieving subtantial savings -- would also result in major inequities in the distribution of limited funds. After the initial reduction of awards based on a student's eligibility index, an additional flat percentage rate of reduction would be levied against every award. Those eligible for the highest awards - the lowest income students - would receive reductions of the largest dollar amount. If we were to attempt to reach the proposed funding level with a legislative maximum award of $1,670 using only the statutory reduction language, the effective maximum amount a student could receive would be $1,169.

Therefore, as an alternative to either the high assessment rates I mentioned earlier or the statutory reduction procedure, we are proposing a number of amendments to the statute to create a more equitable distribution of limited Pell Grant funds. We believe these amendments would permit the development of a formula which will achieve several objectives within the context of the target funding level. They would:

(a) Avoid extreme reductions in awards to students from the lowest income families.

(b) Avoid the necessity of establishing excessively high assessment rates on discretionary income.

(c) Remove several inequities in awards to students which occur because of statutory requirements as to how certain assets and resources are treated.

(d) Ensure that need analysis for the three campus-based programs is allowed to proceed using traditional community developed methods and unaffected by the efforts to hold down Pell Grant expenditures.

To achieve these objectives we are requesting statutory amendments to:

(a) Establish the maximum grant at the same level as in academic year 1981-82 and provide that the student's grant shall not exceed 50 percent of his or her cost of attendance. As you know the maximum award a student may receive in the 1981-82 academic year is $1,670. This is derived using a legislative maximum of $1,750, with $80 subtracted from each student's award.

(b) Provide that for the 1982-83 academic year, (a) the need analysis formula authorized under Section 482 of the Higher Education Act of 1965 shall apply only in determining eligibility for a Pell Grant, and (b) the

Secretary shall, as in previous years, establish benchmark figures which need analysis systems must meet in order to be approved by the Secretary for determining eligibility for aid under the campus-based programs.

(c) Allow the Secretary of Education to establish certain cost of attendance allowances for purposes of the Pell Grant Program. The Congress provided this authority for the 1981-82 award year in the Supplemental Appropriations and Rescission Act of 1981.

(d) Include home equity among assessable assets. We believe that in a time of fiscal constraint home equity, which represents a substantial asset for many families, cannot be ignored in determining eligibility for Federal assistance. It should be noted that home equity is assessed under in the 1981-82 formula, and has always been assessed as an asset since the inception of the program. Combined with the proposal to continue to assess home equity, we would include an asset reserve of $30,000 against that equity as well as the following additional asset reserves for the parents of dependent students and independent students with dependents other than a spouse.

(i) $50,000 would be excluded from farm and business assets. For farmers -- $50,000 would be excluded from the value of the farm itself, and an additional $50,000 from the value of the business assets of the farm, i.e., machinery.

(ii) $30,000 would be excluded from the farm home equity and $8,000 would be excluded from all other assets.

(Thus, under this proposed statutory change, a farm family could have up to $138,000 in assets excluded from assessment.)

(e) Treat veterans and Social Security educational benefits as part of the family contribution. Under current law, under which all of Social Security and one-half of veterans benefits are assessed as income, it is possible for a student's educational cost to be exceeded by a combination of the student's Pell Grant and one or both of these Federal programs. The proposed revision in the statute will prevent these overawards, and will allow higher awards for students with real need.

(f) Treat the income and assets of married independent students who have no dependents other than a spouse in the same manner as those of single independent students. Currently the statute provides that all independent students with dependents shall receive the same income and asset treatment that applies to the parents of dependent students. Under this proposal the assessment of income and assets of married independent students with no dependents other than a spouse will be revised to parallel the more conservative treatment applied to single independent students.

(g) Provide that the asset reserves in paragraph (b) of Section 482 of the Higher Education Act of 1965 (the statutory basis for the dependent student formula) shall apply only to the assets of the student's family,

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and that the student's assets shall continue, as in the past, to be assessed at a higher rate with no reserves. As with the proposal on home equity, this proposal continues a procedure which exists in the 1981-82 Pell Grant formula and which has existed in previous years as well.

(h) Repeal section 489(a) of the Higher Education Act of 1965 which allows an institution to receive an administrative expense allowance of $5.00 per Pell Grant recipient.

If these statutory changes are enacted into law, we feel it will be possible to establish a more equitable formula. One way in which the formula will result in greater equity is that the assessment rates can be substantially reduced since additional resources will be assessed. With the statutory changes made in Section 482 and a $1,670 maximum award to meet up to 50 percent cost of attendance, the assessment rates can be reduced to the following levels while still maintaining program expenditures at the target funding level.

Discretionary Income	Expected Contribution
$ 0 - 5,000	11% of discretionary income
5,001 - 10,000	$550 + 13% of amount over $5,000
10,001 - 15,000	$1,200 + 18% of amount over $10,000
15,001 and up	$2,100 + 25% of amount over $15,000

Using these lower assessment rates, $11,944 would generally be the maximum amount of discretionary income that a family could have and still be eligible for a Pell Grant under these assessment rates. A discretionary income of $11,944 would result from an adjusted gross income of approximately $27,054 for a family of four with both parents working and paying four percent of their income for State and local taxes, and a typical amount for Federal income taxes.

We hope you will act favorably on our proposals for statutory changes which we feel will allow us to make a more equitable distribution of limited funds. Meanwhile, the formula we have submitted for public comment and Congressional review reflects the current language in Section 482. The items described below are changes in the formula from the 1981-82 Pell Grant Family Contribution Schedules.

Summary of Proposed Changes Based on Current Law.

1. Addition of State and local income taxes as offsets against income.

In the past, Federal income taxes were the only taxes that were subtracted from income before an assessment of that income was made to determine the expected contribution towards the student's education. However, the law now specifies that "Federal, State and local taxes paid or payable with respect to ... income" shall be considered. Thus, State and local income taxes as well as Federal income taxes are subtracted from income in the formula we have submitted to you.

2. Treatment of Dependent Student Income

For 1982-83, the law requires that we add dependent student income to parental income. As a result both student and parental income will be assessed at the same rate. This will generally result in a lower assessment rate on dependent student income in most circumstances.

3. Multiple Assessment Rates for Family Income

Under the provisions of the Omnibus Budget Reconciliation Act, of 1981, the Secretary is required to set a series of rates for discretionary income for the 1982-83 award year. Discretionary income is the income that remains after Federal, State and local income taxes and all of the other offsets are subtracted from the total income of the family.

We have proposed that the first $15,000 of discretionary income be divided into three equal amounts. The first $5,000 is assessed at 40 percent; the second $5,000 is assessed at 45 percent; and, the third $5,000 is assessed at 50 percent. All discretionary income above $15,000 is assessed at 55 percent.

4. Assessment of Independent Student Income

For 1982-83, the law requires that we assess the income of independent students with dependents in the same fashion as we assess the income of the parents of dependent students. As explained in the previous section, that will result in a 40 percent assessment rate for independent students with

dependents (when the discretionary income is $5,000 or less). A rate of 45 percent applies for the discretionary income from $5,000 to $10,000, with progressively higher rates above that level. Independent students with no dependents will continue to have their incomes assessed at 75 percent.

5. Updating of the family size offsets to account for the rise in the Consumer Price Index (CPI)

This year, as in the past, the family size offsets have been increased to account for the effects of inflation, based on a projected rise in the CPI of 9.8 percent. Thus, the offsets used in 1981-82 were multiplied by 109.8 percent, and the resulting figures were rounded to the nearest $50. When this regulation is published as a final regulation, that projected percentage will be corrected, if necessary, and the family size offsets will be adjusted accordingly.

6. Asset Treatment for Dependent Students

The law requires that beginning with the 1982-83 award year home equity shall be excluded from assets. Further, it provides some requirements about parental asset reserves, i.e., at least $10,000 for all applicants, and at least an additional $50,000 for applicants with farms or businesses.

Our proposals are based on these requirements. However, we have proposed that the asset reserve for people who do not own homes shall be $25,000 as opposed to the $10,000 reserve for home owners. This provides the person who does not own a home with the same asset reserve that he or she has had for the past several years, and compensates for the fact that the home owner now has all of the equity in his or her home as well as $10,000 of additional assets protected. After all reserves are subtracted, we propose to assess the remaining net assets at the rate of five percent.

The assets of the dependent student are assessed at a higher rate than those of the students parents. Since the treatment of assets specified in the law for the 1982-83 award year addresses the assets of both the student and the parents, the asset reserve of $10,000 is to be applied against the combined assets of the parents and the student. However, since we plan to assess parental assets at five percent and the student's assets at 33 percent, we are proposing that the minimum asset reserve of $10,000 be applied first against the parental assets. If the parents do not have $10,000 of net assets, they will not need all of the $10,000 asset reserve. In that case, the amount of asset reserve that they do not need will be applied against the student's assets.

Dependent students would only rarely own farms or business of their own. Thus, we are not proposing that a parallel treatment of farm and business assets be implemented for dependant students. Rather, the farm and business asset reserve of $50,000 will be applied only to the parental assets.

7. Definition of a married independent student

Traditionally, a student has had to establish a history of independence before he or she was considered to be independent for financial aid purposes. Thus, a student has had to answer questions about his or her financial relationship with his or her parents for not only the year in question, but also for the prior year.

For 1982-83, the law requires that a married student only consider such questions for the year of application. We have defined the year of application to be 1982 for the 1982-83 award year because of considerations related to the application form and the application processing system. Thus, for 1982-83, only those dependency questions that relate to the 1982 calendar year will be pertinent in determining a married student's independent status.

The three dependency questions are whether the student:

1) will live with the parents for more than six weeks;

2) will be claimed by the parents as a dependent on a Federal income tax return; and

3) will receive more than $750 in support from the parents.

This, in brief, is our proposed formula based on current law, submitted simultaneously with our proposals for statutory changes which would allow a more equitable distribution of limited funds.

We would also take this opportunity to draw the attention of the Subcommittee to language included by the House in their fiscal year 1982 appropriations bill for the Department which would have the effect of diminishing what we are attempting to accomplish with this family contribution schedule. The provisions in question would increase the cost of the Pell Grants Program to approximately $3.364 billion thus exceeding the House allowance of $2.526 billion for the program by some $838 million. This would trigger the use of statutory reduction formulas which will significantly reduce the awards to the neediest students whom we have attempted to protect. Application of the first state of scheduled reduction would reduce costs by only $15[illegible] million. The remaining $6[illegible] million will require rateable reduction of all awards by 21 percent. This would result in reducing the awards of the neediest students by $387 -- to an effective maximum award of $1,413.

The language, as written, would have the following effects:

-- Social Security education benefits and one-half of VA benefits would not be counted in the determination of Pell Grant eligibility. At many institutions this could result in total aid exceeding total need for SS and VA beneficiaries at a time when needy students may be receiving reduced awards.

-- The Secretary's authority to set cost of attendance allowances is restricted. Rather, cost of attendance would be set by institutions for room and board for students without dependants living off campus in institutionally owned or operated housing or off campus but not at home. Further, room and board costs for commuters would be $1,200.

-- The same assessment rates on discretionary income are provided for all students -- dependent and independent. This is contrary to our traditional treatment which has taxed independent students at higher rates in the belief that as the beneficiary of their own education, they should contribute a higher percentage of discretionary income than the family of a dependent student.

The language retains the 1981-82 contribution schedule for 1982-83. Consequently, family size offsets are not indexed by the Consumer price index. On a practical level, it would require the use of the 1980 base year data employed in the 1981-82 contribution schedule. This would result in awards being made on the basis of two-year old income data and would require that the over 30 million application forms that have already been printed with questions relating the 1981 family income would have to be reprinted and distributed. This would result in an additional cost of between $2 and $3 million.

We do not believe that all of these implications were intended or anticipated but we would hope that this language would be carefully reviewed by the Congress before work is completed on the appropriations bill.

If you have any questions on our proposals, I would be happy to answer them at this time.

PELL (BASIC EDUCATIONAL OPPORTUNITY) GRANT PROGRAM
SUMMARY STATISTICS FOR CROSS-YEAR REFERENCE

	AWARD YEAR								
	1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979	1979-1980	1980-1981	1981-1982
Number of Applicants Submitting Official Applications	512,866	1,304,877	2,339,337	3,590,379	3,884,047	3,985,381	4,196,716	4,872,684	**
Number of Applicants Submitting Valid Applications	482,331	1,114,084	2,178,696	3,408,718	3,621,641	3,701,439	3,868,479	4,512,336	**
Number and Percent of Qualified Applicants	268,644 52.34%	681,648 52.24%	1,455,187 62.30%	2,358,043 63.89%	2,390,130 62.18%	2,228,603 57.35%	3,029,745 72.36%	3,367,306 69.10%	**
Number and Percent of Non-Qualified Applicants	213,987 41.70%	431,436 33.14%	723,509 30.93%	1,190,675 32.05%	1,231,511 32.03%	1,172,825 30.19%	838,684 20.01%	1,145,030 23.50%	**
Number and Percent of Applications Returned for Insufficient Data and Never Re-Submitted for Processing	30,535 5.96%	190,793 14.62%	160,641 6.87%	181,661 5.04%	222,406 5.79%	483,955 12.14%	318,287 7.60%	360,548 7.40%	**
Number of Applicants Submitting Unofficial Applications						348,376	280,118	335,048	**
Classes of Eligible Applicants	Full-time Freshmen	Full-time Freshmen & Sophomores	Freshmen Sophomores & Juniors	All Undergraduates	All Undergraduates	All Undergraduates	All Undergraduates	All Undergraduates	All Undergraduates
Number of Eligible Applicants Selected for Validation						119,263	233,118	335,048	**
Number of Recipients	176,000	547,000	1,217,000	1,944,000	2,011,000	1,693,000	2,537,875	2,855,000*	2,900,000*
Total Expenditures	$47,509,000	$356,351,000	$925,998,000	$1,475,444,000	$1,524,360,000	$1,560,947,000	$2,504,911,291	$2,518,000,000*	$2,146,000,000*
Average Pell Grant	$270	$638	$761	$759	$758	$825	$987	$883	$838
Minimum Pell Grant	$50	$50	$200	$200	$200	$50	$200	$150	$138
Maximum Pell Grant	$452	$1,050	$1,400	$1,400	$1,400	$1,600	$1,800	$1,800 ($1,750)	$1,750 ($1,670)

1. The percentages of Qualified Applicants and Non-Qualified Applicants and the percentage of Applications returned for Insufficient Data and Never Re-submitted to Processing add up to 100 percent.

2. The minimum Pell Grant for the 1974-75, 1978-79, 1980-81 and 1981-82 Award Years were less than $200 due to reduced funding.

* Estimated.
** Not currently available.

DISTRIBUTION OF TAXABLE POWER - 1981-83

Income	Current: 1981-83	Current Law; $2,300; 60%/Variable Income Rates 1/	Current Law; $1,750-980/50%/Variable Income Rates 2/	Current Law; $1,750-980/50%/Income Rates to Achieve Budget 3/	Proposed Legislative Changes 4/	Current Law; $1,670 Notably Reduced by 30% 5/ 6/
$ 0 - 3,000	$480,330 20.69%	$863,930 36.39%	$634,190 21.73%	$639,360 29.23%	$476,480 21.78%	$476,330 21.76%
$ 3,001- 6,000	$461,610 20.53%	$823,570 34.81%	$643,090 22.05%	$647,760 29.63%	$472,760 21.61%	$480,290 21.95%
$ 6,001- 9,000	$344,340 14.67%	$346,680 14.61%	$456,050 15.63%	$427,530 19.55%	$321,880 14.70%	$333,560 15.24%
$ 9,001-12,000	$291,040 12.43%	$303,300 12.71%	$387,370 13.27%	$274,880 12.57%	$262,530 12.00%	$283,740 12.96%
$12,001-15,000	$230,780 9.40%	$298,980 10.08%	$296,090 10.17%	$125,670 5.75%	$203,020 9.28%	$211,860 9.68%
$15,001-20,000	$254,060 10.82%	$456,140 11.93%	$308,360 10.56%	$ 60,250 2.76%	$231,240 10.57%	$221,580 10.12%
$20,001-25,000	$150,610 6.41%	$243,380 6.14%	$137,240 4.70%	$ 9,380 0.43%	$130,620 5.98%	$111,540 5.09%
$25,001-35,000	$103,530 4.36%	$133,060 3.36%	$ 57,800 1.98%	$ 2,100 0.09%	$ 81,380 3.72%	$ 65,130 2.98%
$35,001 >	$ 15,660 0.66%	$ 9,380 0.23%	$ 2,640 0.09%	$ 390 0.00%	$ 6,560 0.30%	$ 5,680 0.25%
TOTAL	$2,346,140 100.00%	$3,957,120 100.00%	$2,918,040 100.00%	$2,187,110 100.00%	$2,187,690 100.00%	$2,187,940 100.00%

1/ Discretionary Income Rates of: 10% on the first $5,000; 20% on income between $5,000 and $10,000; 30% between $10,000 and $15,000; and 35% on income.
2/ Discretionary Income Rates: 0% - $5,000 at 40%; $5,001 - $10,000 at 45%; $10,001 - $15,000 at 50%; and $15,001 up at 55%.
3/ Discretionary Income Rates: 0% - $5,000 at 11%; $5,001 - $10,000 at 13%; $10,001 - $15,000 at 18%; $15,001 up at 25%.
4/ Results in effective maximum award of $1,169.

DISTRIBUTION OF RECIPIENTS - 1982-83

Income	Current: 1981-82	Current Law; $2,100; 60%/Variable Income Rates 1/	Current Law; $1,750-980/50%/Variable Income Rates 2/	NPRM/Higher Rates Current Law; $1,750-980/50%/Income Rates to Achieve Budget 3/	Proposed Legislative Changes Lower Rates 4/	Current Law; $1,670 - Notably Reduced 30% 5/
$ 0 - 3,000	681,800 17.39%	690,100 16.64%	688,400 17.84%	688,300 34.94%	640,900 18.33%	689,300 18.60%
$ 3,001- 6,000	647,600 16.52%	525,100 17.83%	523,100 19.11%	522,900 26.78%	655,700 18.95%	524,500 17.80%
$ 6,001- 9,000	534,900 13.67%	395,700 13.44%	379,000 13.87%	377,100 19.26%	322,700 13.42%	378,400 12.84%
$ 9,001-12,000	412,100 11.14%	333,000 11.30%	329,900 12.05%	299,800 14.96%	261,300 10.86%	130,100 11.30%
$12,001-15,000	254,200 9.07%	286,900 9.74%	281,000 10.29%	161,800 8.26%	214,900 8.93%	282,600 9.59%
$15,001-20,000	346,100 12.35%	403,200 13.69%	378,100 13.81%	94,100 4.80%	297,500 12.37%	398,500 13.52%
$20,001-25,000	170,900 9.67%	286,400 9.72%	264,900 9.38%	19,300 0.98%	218,300 9.08%	286,800 9.73%
$25,001-35,000	229,300 8.18%	264,600 8.94%	121,700 4.44%	6,100 0.31%	173,700 7.22%	229,800 7.79%
$35,001 +	43,600 0.15%	19,100 0.64%	6,600 0.23%	300 0.01%	19,200 0.79%	27,000 0.92%
TOTAL	2,800,300 100.00%	2,943,900 100.00%	2,736,300 100.00%	1,957,700 100.00%	2,404,000 100.00%	2,946,100 100.00%

1/ Discretionary Income Rates of: 30% on the first $5,000; 20% on income between $5,000 and $10,000; 30% between $10,000 and $15,000; and 35% on income.
2/ Discretionary Income Rates: $0 - $5,000 at 40%; $5,001 - $10,000 at 45%; $10,001 - $15,000 at 50%; and $15,001 up at 55%.
3/ Discretionary Income Rates: $0 - $5,000 at 11%; $5,001 - $10,000 at 13%; $10,001 - $15,000 at 19%; $15,001 up at 25%.
4/ Results in effective maximum award of $1,169.

AVERAGE AWARDS - 1982-83

Income	Current: 1981-82	Current Law; $2,100; 60%/Variable Income Rates 1/	Current Law; $1,750-$80/50%/Variable Income Rates 2/	Current Law; $1,750-$80/50%/Income Rates to Achieve Budget 3/	Proposed Legislative Changes 4/	Current Law; $1,670 Notably reduced by 30% 5/
$ 0 - 3,000	$1,007	$1,638	$1,299	$1,305	$1,081	9869
$ 3,001- 6,000	$ 949	$1,568	$1,230	$1,235	$1,038	9916
$ 6,001- 9,000	$ 970	$1,482	$1,185	$1,131	$1,001	9881
$ 9,001-12,000	$ 935	$1,513	$1,174	$ 946	$1,005	9859
$12,001-15,000	$ 868	$1,391	$1,053	$ 774	$ 945	9750
$15,001-20,000	$ 734	$1,131	$ 816	$ 638	$ 778	9556
$20,001-25,000	$ 555	$ 852	$ 603	$ 486	$ 601	9389
$25,001-35,000	$ 447	$ 650	$ 475	$ 389	$ 469	9285
$35,001 +	$ 358	$ 490	$ 389	$1,018	$ 359	9211
TOTAL	$ 838	$1,344	$1,064	$1,114	$ 911	9743

1/ Discretionary Income Rates of: 10% on the first $3,000; 30% on income between $3,000 and $10,000; 30% between $10,000 and $15,000; and 35% on income.
2/ Discretionary Income Rates: $0 - $3,000 at 40%; $3,001 - $10,000 at 45%; $10,001 - $15,000 at 50%; and $15,001 up at 55%.
3/ Discretionary Income Rates: $0 - $3,000 at 11%; $3,001 - $10,000 at 13%; $10,001 - $15,000 at 18%; $15,001 up at 25%.
4/ Results in effective maximum award of $1,169.

PELL (BASIC EDUCATIONAL OPPORTUNITY) GRANT PROGRAM

COST PROJECTION
USING FIXED PARTICIPATION RATES
OFFICIAL CALIBRATION/UPDATE #6

SUMMARY TABLE

Annual Adjusted Income	% Participation	Recipient Population	$ Of Total	Average Award	Program Cost	% Of Total
-99999 to 3000	74.23	516,176	18.25	1441	744,070,558	22.40
3001 to 6000	75.42	544,869	19.26	1407	766,471,866	23.08
6001 to 9000	80.98	439,091	15.52	1333	585,263,612	17.62
9001 to 12000	87.00	363,049	12.83	1210	439,465,168	13.23
12001 to 15000	89.94	286,487	10.13	1060	303,753,193	9.14
15001 to 20000	92.30	359,172	12.70	819	294,305,562	8.86
20001 to 25000	91.29	202,059	7.14	629	127,151,528	3.82
25001 to 35000	83.20	107,927	3.81	522	56,306,145	1.69
35001 to 999999	75.19	8,885	0.31	412	3,659,704	0.10
TOTAL	82.01	2,827,720	100.00	1174	3,320,537,341	100.00

3,320,537,341 -- TOTAL PROGRAM COST

SIMON AMENDMENT
1981-82 FORMULA APPLIED TO 82-83
$1,800 MAX/50% COST/INCOME IS BASE YEAR 80
HOME=$25K/FARM-BUS=$50K/5%
DEP INC=NEG DI/ELIM SSS=+46M
DEP=0-5=12.5/5-10=15/10-15=17.5/15+=20
IND=SAME AS DEP
NO OFFS FOR STATE $ LOCAL INCOME TAXES
COE ADJ=1000;700;200/FSO=NOT INDEXED
NO ADMIN ALLOW/NO SH
MODEL VERSION 22

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PELL (BASIC EDUCATIONAL OPPORTUNITY) GRANT PROGRAM

COST PROJECTION
USING FIXED PARTICIPATION RATES
OFFICIAL CALIBRATION/UPDATE #6

SUMMARY TABLE

Annual Adjusted Income	% Participation	Recipient Population	$ Of Total	Average Award	Program Cost	% Of Total
-99999 to 3000	74.23	516,176	18.27	1154	595,867,940	23.40
3001 to 6000	75.42	544,869	19.29	1128	614,629,441	24.14
6001 to 9000	80.98	439,091	15.54	1062	466,304,597	18.31
9001 to 12000	87.01	362,838	12.04	940	341,199,874	13.40
12001 to 15000	89.94	286,212	10.13	785	224,595,717	8.82
15001 to 20000	92.29	357,835	12.66	547	195,577,385	7.68
20001 to 25000	91.29	201,346	7.12	374	75,318,656	2.95
25001 to 35000	83.19	107,256	3.79	284	30,477,295	1.19
35001 to 999999	75.18	8,828	0.30	209	1,842,988	0.07
TOTAL	82.00	2,824,456	100.00	901	2,545,873,897	100.00

SIMON AMENDMENT/BELOW FIRST STEP BY 25%
$1,800 MAX/50% COST/INCOME IS BASE YEAR 80
HOMB=$25K/FARM-BUS=$50K/5%
DEP INC=NEG DI/ELIM SSS=+46M
IND=SAME as DEP
NO OFFS FOR STATE & LOCAL INCOME TAXES
COE ADJ=1000;700;200/FSO=NOT INDEXED
NO ADMIN ALLOW/NO SH
MODEL VERSION 22

Senator STAFFORD. I apologize for this, but the rollcall is now on the second bell, so we will have to recess.

Dr. ELMENDORF. I am finished.

[Recess.]

Senator PELL [presiding]. The hearing of the Subcommittee on Education, Arts and Humanities will come back to order.

Dr. Elmendorf, I look forward to reading your testimony, and I understand you had just finished it. And Mr. Saunders and Mr. Martin, there is going to be another rollcall vote in a little while, so I just wanted to let you know.

Mr. Saunders.

Mr. SAUNDERS. Thank you, Senator Pell.

On behalf of the 10 associations listed on my statement, I would like to express our appreciation for this opportunity to testify.

I would like to submit my statement for the record, and I would try to briefly summarize our major points.

We urge rejection of the administration's formal and alternative proposals, and we ask for prompt legislative action in the form of an amendment to the appropriations bill.

Senator PELL. I was wondering if you could limit your statement to about 5 minutes—and Mr. Martin the same—and we would like to get a few questions on.

Mr. SAUNDERS. We do ask for prompt legislative action to continue the current Pell grants family contribution schedule with several modifications.

First, to update the family size offsets and the asset reserves for inflation. Second, to impose a series of progressive tax rates on families with dependent students. And third, to impose a linear reduction formula to protect the neediest students, and to reduce other awards proportionate to their size when that action has to be taken.

We also urge legislative action to delay implementation of the single needs analysis which the 1980 amendments required for Pell grants and for the campus-based programs. In this, we support the administration's request. Unless the system is decoupled and the current benchmark system is retained, eligibility for the campus-based programs will be severely constrained with disastrous results.

We urge this course because of time constraints and for substantive reasons. Senator Stafford, in his opening statement, has already referred to the urgency of the problem. As of this Sunday, November 1, every day's delay in establishing the family contribution schedule will result in increasing delay and disruption of the entire student aid system.

We also oppose the administration's formal proposal and its informal alternative, partly because of these time constraints and the lack of time to examine their recommendations and analyze their impact, but also for a number of substantive reasons.

We oppose the administration's recommendations for treatment of social security and veterans' benefits. We prefer the House language which is consistent with those benefits in the guaranteed loan program.

We also oppose use of the family contribution schedule approval process as a means of seeking approval of a $1,670 maximum for

Pell grants. The Pell grant maximum is not a part of the family contribution schedule and we would point out that the waiver authority in the Reconciliation Act only applies to reductions to the reconciliation level of $2.65 billion and cannot be used to reduce to the administration's request.

We stress the importance of the $1,800 maximum Pell grants as the minimal acceptable level of assistance. That is the level assumed in the Reconciliation Act. It is the level contained in the House-passed appropriations bill. It is the level contained in the Senate Appropriations Subcommittee bill. Since the academic year 1979, which was the last year in which the $1,800 maximum was paid, college costs have gone up 30 percent, and so an $1,800 maximum paid for next year would really only be worth $1,350 in terms of 1979-80 dollars, and if you paid a $1,670 maximum, that would only be worth about $1,150. So we are concerned about the attrition of the value of the Pell grants.

The administration seeks to tinker with the needs analysis system in order to achieve this precise budgetary goal of $2.187 billion. We believe it is totally inadequate.

As you said, Senator, in your statement, it is half a billion dollars below the reconciliation level, and that reconciliation level itself was $700 million below the level of the Pell grants modifications of the 1980 amendments and over $1 billion below current service levels required for all student aid programs.

So the administration's proposals would repeal the Middle Income Student Assistance Act and limit Pell grant aid to students with family incomes under $15,000.

So, in summary, we do ask that prompt legislative action be taken to continue the current family contribution schedule with the modifications I have identified.

Thank you very much.

[The prepared statement of Mr. Saunders follows:]

TESTIMONY

TO THE

SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES

COMMITTEE ON LABOR AND HUMAN RESOURCES

UNITED STATES SENATE

OCTOBER 29, 1981

PRESENTED BY:

CHARLES B. SAUNDERS, JR.

VICE PRESIDENT FOR GOVERNMENTAL RELATIONS

AMERICAN COUNCIL ON EDUCATION

ON BEHALF OF:

American Association of Community and Junior Colleges
American Association of State Colleges and Universities
American Council on Education
Association of American Universities
Association of Catholic Colleges and Universities

Council of Independent Colleges
National Association for Equal Opportunity in Higher Education
National Association of Independent Colleges and Universities
National Association of Schools and Colleges of the United Methodist Church
National Association of State Universities and Land-Grant Colleges

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to appear before this subcommittee to comment on the family contribution schedules proposed by the Administration for the Academic Year 1982-83 for the Pell Grant and campus-based student aid programs.

We oppose the use of the family contribution schedule as a means of restricting Pell Grant funds to the precise amount of the Administration's budget request. We cannot support either of the two family contribution schedules proposed by the Administration. Both are explicitly predicated on implementing the Administration's recently reduced request of $2.187 billion for Pell Grants -- an amount almost $500 million below the level accepted by the Administration for FY 82 in the Reconciliation Act of August 13. All student aid programs already have taken a cut of over $1 billion from current service levels for FY 82 in the reconciliation process. In the light of these painful cuts, students should not be forced to take further reductions below the Reconciliation levels.

The Administration's revised request would provide totally inadequate funding for the foundation grants in the national effort to provide equal educational opportunity. It is substantially below the FY 81 Pell Grant appropriation of $2.346 billion, the $2.526 billion contained in the House FY 82 appropriation bill, the $2.37 billion in the Senate Appropriations Subcommittee bill, and the $2.65 billion contained in the Reconciliation Act -- itself a $700 million reduction from the level required to implement the 1980 Amendments and maintain awards for all current eligibles.

The complicated Notice of Proposed Rule Making submitted by the Administration makes it difficult to evaluate either the formal proposal or the Administration's informal alternative because of the lack of detailed impact data on how many students would be affected and to what extent by the various provisions, and because of the lack of specificity about the alternative proposal. The formal proposal would, in effect, repeal the Middle Income Student Assistance Act of 1978 and limit Pell Grants to students with family incomes below $15,000. It is based primarily on budgetary considerations.

The informal alternative contains some technical changes that may have merit, if supporting data were available for analysis, but we cannot recommend taking the time to make the analysis that would be necessary at this late point in the processing cycle.

The Omnibus Reconciliation Act of 1981 mandated that the family contribution schedule be submitted to Congress by September 1, 1981; in contrast, this NPRM was published in the Federal Register on October 16, with a comment period extending until December 15. The changes it would require could necessitate changes in the forms which must be printed for federal student aid applications. At this point, any delay would result in serious disruption of the processing of applications which begins in November-December, for the campus-based programs as well as Pell Grants. Therefore, it is urgent for Congress to approve a schedule without the full-scale review which would be needed to implement a single system for need analysis for Academic Year 1982-83. Institutions and students must have adequate advance warning of major changes in the need-analysis framework for Pell Grants and campus-based programs, and we believe it is already too late for such changes for Academic Year 1982-83.

As the most pragmatic and least disruptive course of action under the current time restraints, we recommend that the existing Pell Grant need-analysis system (already restricted last spring) be continued for another year, with several minor modifications. We urge that these steps be implemented immediately, by amendment to the Senate appropriations bill, similar to the action already taken by the House.

At the same time, we support the Administration's recommendation that the need-analysis system for Pell Grants be separated from that for campus-based programs for 1982-83, and that the existing system for establishing bench-marks for expected family contributions for campus-based aid by regulation be continued for the 1982-83 year. Unless the system is decoupled, student eligibility for these programs will be artificially restricted still further, with chaotic results on the nation's campuses.

The issue of the maximum award is not part of the family contribution schedule. Nevertheless the Administration without authority has used this NPRM to request continuation of the $1,670 maximum award. We strongly object to this recommendation and urge the committee to restore the maximum award to its FY 79 level of $1,800, as assumed in the Reconciliation Act and in both the House-passed FY 82 appropriations bill and the Senate Appropriations Subcommittee bill. We believe that this is a minimum acceptable level of assistance to the neediest students, in view of the fact that college costs will have risen 30 percent since Academic Year 1979-80, and in Academic Year 1982-83 an $1,800 maximum award actually will be worth $1,350 in Academic Year 1979-80 dollars.

We also oppose the Administration's proposal to add Social Security and veterans educational benefits to expected family contribution instead of counting them as part of family income as the statute specifies. They are in fact student resources, and should not be counted as part of the family contribution. The Administration's intent is to foreclose the possibility that grants from one or both of these programs, in combination with the Pell Grant, may exceed a student's educational costs. We believe that this proposal is unduly harsh. It would render most of these students ineligible by, in effect, taxing these benefits at 100 percent when no other income under the Pell Grant program is taxed at such a high rate. A preferable course would be that recommended in the House bill, which is consistent with the treatment of these programs in the Guaranteed Loan Program. It provides in such cases that the Pell Grant shall be reduced until it does not exceed the cost of attendance in combination with expected family contribution and veterans and Social Security benefits. The Congressional Budget Office estimates that this approach would save approximately $100 million.

While we recommend continuation of the current need-analysis system for another year, we believe it is essential to update the family-size offset for inflation -- a procedure which was deferred for the first time in FY 81. We are concerned

that this step was inadvertently omitted from the House language. Failure to update the family-size offset for the second consecutive year would further penalize students just below the poverty level. (For example, a student from a family with $8,400 in income would be assumed to have $750 in discretionary income, and would have his Pell Grant reduced from $1,800 to $1,725, even though his family is actually below the poverty level and should receive the maximum award.) We also suggest that the current treatment of assets be updated for inflation.

We believe that cost reductions in the Pell Grant program should be achieved primarily through a series of progressive tax rates on discretionary income for families of dependent students, and through an equitable reduction formula -- not through annual tinkering with the details of the schedule. Both the House bill and the Administration's alternative proposal would establish a series of progressive tax rates on the income of families of dependent students, instead of the current rate of 10.5 percent. At the highest level, these rates would approach or equal the current 25 percent tax rate on the income of independent students who are married or have dependents. We support a statutory change in the reduction schedule which would assure that, if appropriations are insufficient, no reductions would be made in the awards of the neediest students (particularly those with an expected family contribution of 0 - $600), and that all other awards would be reduced in a linear schedule proportionate to the size of the award.

In summary, we urge that the Administration's complex proposal be rejected and that prompt legislative action be taken to continue the current family contribution schedule with modifications to update the family-size offsets and asset reserves for inflation and to impose a series of progressive tax rates for the families of dependent students, supplemented by a linear reduction formula which would provide whatever cuts may be made necessary by the final appropriation bill. These modest changes are preferable to extensive modifications of the entire range of tax rates and asset treatment, particularly in view of the lack of time remaining for careful analysis of the impact of the Administration's complex recommendations.

We appreciate this opportunity to testify on this important issue which has such a serious impact on the opportunity of students to attend the nation's public and independent colleges and universities.

Senator PELL. Thank you very much, Mr. Saunders.

Dr. Martin?

Mr. MARTIN. Thank you very much, Senator Pell. It is a pleasure to appear before you and Senator Stafford, and I would like to ask that our statement be inserted in the record.

Senator PELL. Without objection, it will be done.

Mr. MARTIN. Let me just say, as was pointed out in yours and Senator Stafford's opening remarks, we also share your concern about timing on this issue.

As you well know, and the members of this subcommittee know, the Pell grants program has become the cornerstone of the Pell grants program in the last 9 years and, as such, it is essential that accurate and timely information be available to students and parents if they are going to properly plan for their educational enrollment for this coming fall. I regret that we have been through a process in the last few months that have delayed this, and we are on the verge now of a very critical timing in terms of getting this information out, in terms of providing that across this country, because most colleges and universities are already well underway with high school guidance counseling of conducting day and night programs where they are trying to assist parents and students on how to plan for next year, and what their awards are going to be.

We have a large hole at this time because there is no certainty on that schedule. We have also looked carefully at the statement that Mr. Saunders has just read and would endorse those concepts. We think that there are some worthwhile kinds of technical amendments to the program that have been proposed by the administration; it is questionable whether all of those should be done at this particular time. We could certainly endorse some of those in terms of trying to improve the inequities in the program, but I think there are also some points that need to be looked at carefully.

One of the items we would oppose is the administration's treatment on educational benefits for those students that are receiving social security or Veterans' Administration benefits. They would be adding that directly to the eligibility index of the students which would have the effect of virtually eliminating every one of those students.

We have no problem with treating that as a student resource against the cost of education to insure that we are not overworrying students with Federal funds, but we do not think that students should unfavorably have taxes added on more heavily.

We also would find some objection to the treatment that has been proposed in the alternative proposal of the administration on assets.

We agree with the administration that perhaps assets, and particularly home equity, should be looked at, but last year, when we were working on educational amendments of 1980, at that time we had recommended updating those particular offsets in terms of trying to adjust for inflation. The four-step proposal that is outlined in the administration's alternative in the preamble, it seems to us, is somewhat cumbersome and unnecessary. Not only that, administratively it would be impossible to do for this year, since it is my understanding that the multiple data entry forms have al-

ready been wrapped up and are ready to go to press and, as such, there is no separation on business and farm assets, let alone a separation of the farm value from the home to the machinery.

The only way you could deal with that is to reject roughly half a billion of the applicants and send them back to check supplemental data from families. It seems to me our attempt to simplify this and reduce paperwork, that that is counter to what we are trying to do.

We would support a proposal of perhaps increasing the current two system offset, where we provide $25,000 and $50,000 protections, and perhaps increase those for inflation maybe up to $40,000 for a family's home, and maybe $80,000 on business and farms and continue with the process that has worked before.

I would also underline very importantly the point that Mr. Saunders made in his comments in regard to the need to separate the needs assessment on the Pell grants from the campus-based program.

As you well know, we had worked diligently with you in terms of trying to develop a single needs analysis system in the educational amendments of 1980. Without some explanation or liberalization, we are reaching a point where we would be reducing students' eligibility on campus-based funds as opposed to Pell grants. If we do not have a Pell grants program that is funded at a level that is reasonable, that would allow for a single system, then it is essential that we separate that; otherwise, we are going to be denying students who have legitimate needs for being campus-based assistance. Another form of budgetary squeeze.

I say that because under the Pell grants schedule we are only dealing with a portion of the student's educational costs, and if you look at how that schedule has been put together for the last few years, as we testified before, we are using actually family size offsets that are anywhere from $150,000 to $50,000 below what most families are paying. We are also forced to deal with a self-determining cost of acceptance that limits us on such items as room and board and books and supplies, transportation, personal expenses that have no relationship to what students are really paying in this country, and as such, if we use the same schedule, then we would artificially be imposing price restrictions and artificially talking about the family's needs in terms of what the family is finding.

In essence, I would say to you, Mr. Chairman, that we would basically also support you on the idea that the appropriation level that has been proposed by the administration, that this family contribution schedule is inadequate, tremendously low. We would support authorizing $2.65 billion in the Reconciliation Act as a more reasonable figure, and feel that has already greatly restricted the program.

Second, we would continue the needs of the Pell grants program, with slight modification in light of timing.

One change we would support along that line would be to perhaps look at the development and the implementation of a linear reduction formula that would be fair, to avoid the potential dislocation of funds that would occur if, in fact, we used the language that is in the current law.

And last, but not least, we could encourage and endorse the administration's proposal of separating the campus-based needs analysis to the Pell grants that is contained in this schedule.

I thank you very much for the opportunity to be here.

[The prepared statement of Dr. Martin follows:]

Prepared Statement of A. Dallas Martin, Jr., Executive Director, National Association of Student Financial Aid Administrators

Mr. Chairman, we sincerely appreciate the opportunity to appear before you and the members of the Subcommittee today to discuss the NPRM which was submitted to Congress by the Department of Education and published on October 16, 1981 in the Federal Register, covering the Family Contribution Schedules for the Pell Grant and Campus-Based student aid programs.

Unfortunately, we regret that this meeting could not have occurred a month and a half ago, since that is when the Budget Reconciliation Act mandated that these schedules be submitted to Congress for your consideration. We also realize that most of the delays have not been the fault of the personnel within the Education Department, but rather due to discussions that have been occurring within the Office of Management and Budget. However, it is precisely because of this delay in submission, that all of us are now faced with a difficult set of circumstances that will either require immediate action by the Congress to specify the schedules and conditions for determining student awards for the 1982-83 award year, or run the risk of again creating a major delay in the student aid delivery system.

As most members of this Committee know, in the past nine years the Pell Grant program has become the cornerstone of the student aid programs, and as such, it is absolutely essential that accurate and timely information about the program be disseminated in early fall to students and families so they can begin to make their educational plans with some certainty for the coming year.

Even as we now speak, throughout this country high school counselors, admissions personnel and financial aid administrators are conducting college day and night programs which are designed to assist students and parents in obtaining information on how to apply for financial aid and admissions at the schools of their choice. Unfortunately, the information being disseminated is incomplete because decisions regarding student aid funding, and Pell Grant awards in particular, have not yet been decided for the upcoming academic year. Therefore, it is essential that we reach closure on this matter as soon as possible, so that everyone can proceed with some certainty as to what level of funding will be available and who will be eligible for the program. As such we must oppose the alternatives that have been advanced in the October 16th, Notice of Proposed Rulemaking.

The proposed schedule is based on a revised Administration budget proposal of $2.187 billion, which is $463 million lower than the level authorized in the Omnibus Budget Reconciliation Act of 1981. This lower figure, if adopted, will either: (1) impose a series of taxation rates upon discretionary income that will eliminate from eligibility all of those moderate income families that were assisted by the passage of the Middle Income Student Assistance Act; or (2) require a number of statutory changes that will treat many students and families differently than they are being treated now. These changes are designed to simply hold down program expenditures by refusing to accept the true costs of

education that must be met and by pretending that inflation doesn't exist.

Therefore, we would strongly encourage you to: (1) support the authorization level of $2.65 billion which was contained in the Omnibus Budget Reconciliation Act; (2) continue the existing Pell Grant Need Analysis system for another year with only some minor modifications; and, (3) support the Administration's proposal to separate the campus-based need analysis system from the eligibility determination for Pell Grants by continuing the Secretary's authority to establish annual benchmark figures for use in appraising need analysis systems.

By following these steps, we feel that students will be better served, and that there will be less disruption to the delivery system.

Additionally, we do support some of the technical changes that have been proposed by the Department of Education and feel that these issues should be addressed.

For example, we would support the Administration's contention that student assets should continue to be assessed at a higher rate than those of the parents with no reserve, and that the assessment of income and assets of married independent students with no dependents other than the spouse should be similar to the treatment used for a single independent student.

We also support the concept of including some portion of home equity among assessable assets. We would not,

however, support the asset treatment proposed by the Administration. Currently, the Pell Grant formula provides an asset protection allowance for all families up to $25,000 and an allowance up to $50,000 for farm or business owners. The Education Amendments of 1980 amended this section and excluded from consideration a family's home equity. While we do not expect most families to obtain a second mortgage on their home to help finance their children's education, we do feel that such an asset should be considered when trying to rank students as to who has the greatest financial need. Therefore, we had recommended at the time the Education Amendments of 1980 were being drafted that the asset protection allowances be increased to take into account the impact of inflation upon all assets.

As such, we had recommended that the $25,000 asset protection allowance be increased to $40,000 and that the $50,000 exclusion on farm and business assets be raised to $80,000. We still would support this change as opposed to the proposal being suggested by the Administration. The Administration's proposal would reduce the asset protection allowance for non-homeowners from $25,000 to $8,000, thus creating a much higher expectation on these families than is now expected and thus either reducing or eliminating from eligibility many students from families that reside in apartments or rental units. The Administration's proposal would also require farm families to differentiate between those assets which are related to the value of the farm,

versus those that are related to the value of farm machinery or equipment. Since the application forms have already been approved for the 1982-83 school year and are currently being printed and distributed, the only way this change could be accomplished is to reject the applications for all farm and business owners and go back to them for supplemental data. When we are trying to improve the timing of the delivery system, and reduce the amount of paperwork involved, it would seem that such an approach is highly questionable and would affect about 470,000 applicants.

Therefore, we would suggest that simply increasing the current asset protection levels and using the same procedure that is now in effect would be a better way to handle this issue. We would also disagree with the Administration's treatment of Veterans and Social Security Educational benefits.

While we agree that such benefits should be taken into consideration to avoid the potential that a student could have an overaward of federal benefits, the approach suggested by the Administration would add these benefits, dollar for dollar, to the student's Eligibility Index. Thus, for all practical purposes making it impossible for any of these students to qualify for a Pell Grant. We would suggest that these benefits either be included as a student resource and applied against the cost-of-attendance, as is currently being done in the GSL program; or factored in at 50% of their value against the student's Eligibility Index, recognizing that the Pell Grant program only attempts to provide up to

one-half of a student's cost-of-attendance and that other benefits and student resources should be used to make up the remaining amount. The effects of these various alternatives is shown in the chart attached to our formal written testimony.

We are also disappointed that the Administration's proposal fails to recognize any of the changes in the cost-of-attendance provisions contained in the Education Amendments of 1980 and is again seeking a deferral of these items.

As we have stated before this Subcommittee on previous occassions, the "costs" that are allowed for determining a Pell Grant Award are artificially imposed to hold down program expenditures.

The current cost of attendance regulations for Pell Grants restricts costs for books, supplies, transportation and miscellaneous and personal expenses to $400 per year for all students regardless of where they are going to school or their academic program of study. By comparison, these costs average between $950 to $1400 per year at most schools.

In addition, the Pell Grant cost of attendance regulations restrict room and board allowances to $1100 per year for any student who is not residing in institutionally owned or operated housing, thus, discriminating against these students who are forced to live off-campus or in the community. Further, allowances for expenses reasonably incurred for child care and cost related to a handicap are not considered in the current Pell Grant cost of attendance. Therefore, all students' "true costs of attendance" are automatically

underestimated between $900 and $2500 in the Pell Grant budget.

The Education Amendments of 1980 changed these inequities; however, the Administration withdrew the revised cost of attendance regulations which were published January 21, 1981 in the Federal Register and has now stated in their NPRM that they are "considering a rule which will more accurately reflect living expenses directly related to the cost of postsecondary education."

Given the fact that this NPRM is being used to advance a budget request for Pell Grants that is below current authorizations levels, we do not hold much hope that any "new rule" advanced by the Administration on cost of attendance will address the current inequities and, thus, increase program outlays.

Nevertheless, something needs to be done to at least nominally increase the cost allowances. If we are not going to recognize "real" educational costs in the program and are going to continue to hold down program expenditures by supporting these "contrived" costs, then perhaps we should at least adopt some standard allowance that could be applied fairly to all students and stop discriminating against those students who are required to live off-campus, and therefore, are denied equal treatment compared to their colleagues who live in institutionally owned or controlled housing.

Another item that is worthy of comment is the way in which the NPRM glosses over the updating of the Family Size

Offsets to account for the increase in the consumer price index. Their proposal states, "This year, as in the past, the Family Size Offsets have been increased to account for the affects of inflation..."

This is absolutely false, since the Administration did not update the Family Size Offsets last year. Members of this Committee will recall that on March 13, 1981, the Administration withdrew the offsets that were proposed for the 1981-82 system, and reissued the schedule using the same figures that were used for the 1980-81 system.

Therefore, the figures that are proposed by the Administration are understated since they were not adjusted last year, and are actually lower than what the schedules should have been in 1981-82.

The following chart shows the differences in the offsets between what they should have been and what is being proposed.

FAMILY SIZE OFFSET COMPARISON FOR DEPENDENT STUDENTS

Number of Family Members	Initial FY 81 Offsets	Administration's Revised FY 81 Offsets	Administration's Proposed FY 82 Offsets	Initial FY 81 Offsets Updated for FY 82*
2	5,650	5,000	5,500	6,200
3	6,800	6,050	6,650	7,450
4	8,650	7,700	8,450	9,500
5	10,200	9,050	9,950	11,200
6	11,550	10,250	11,250	12,700
7	12,800	11,350	12,500	14,050
8	14,150	12,550	13,750	15,550
9	15,550	13,750	15,000	17,050
10	16,700	14,850	16,250	18,350

*Initial FY 81 offsets increased by 9.8% rounded to nearest $50.

The final item we would like to address involves the need to clarify the rateable reduction language contained in current law. The intent of the rateable reduction language is to provide some equitable means of reducing a student's award in any year in which funding is not sufficient to fully meet that amount. Additionally, the intent of this section is to protect those students who have the greatest need first. Currently, there seems to be a difference in interpretation over how the rateable reduction language is to be applied. Therefore, we would suggest that this

section be revised and that new language be adopted which would establish a simple linear reduction formula that can be used if necessary to reduce entitlements. The advantage of such an approach is that it will eliminate the step functions that now exist in the current language and will also eliminate any inequity that occurs when you simply reduce all student awards by a flat percentage regardless of the student's need. We will be happy to work with your staff in developing this language if you decide to make this change.

In summary, Mr. Chairman, we urge you and the Subcommittee members to give serious consideration to the suggestions which we have made and hope that steps can be immediately taken to help finalize the Pell Grant Family Contribution Schedule for next year. As always we appreciate the opportunity to appear before you and would offer any assistance to you that we can provide.

Effect of Administration's Proposal for Treatment of Social Security and Veterans Benefits Compared With Alternative Proposal

Initial Eligibility Index	Cost of Education	Initial Grant[1]	Revised Eligibility Index[2]	Revised Grant[1]	Change in Grant
0	$ 1,000	$ 432	2000	0	$ -432
0	2,500	1,182	2000	0	-1,182
0	4,000	1,670	2000	0	-1,670
500	1,000	432	2500	0	-432
500	2,500	1,182	2500	0	-1,182
500	4,000	1,196	2500	0	-1,196
1000	1,000	0	3000	0	-696
1000	4,000	696	3000	0	-696
1000	4,000	696	3000	0	-696
1500	1,000	0	3500	0	0
1500	2,500	196	3500	0	-196
1500	4,000	196	3500	0	-196

[1] 1981-82 Payment Schedule.

[2] Assumes $2000 of educational benefits.

Cost of Education	Initial Grant	Educational Benefit	Total Aid	Change in Grant: Alternative Proposal	Change in Grant: Administration Proposal
Eligibility Index = 0					
$ 1,000	$ 432	$ 2,000	$ 2,432	$ -432	$ -432
2,500	1,182	2,000	3,182	-682	-1,182
4,000	1,670	2,000	3,670	0	-1,670
Eligibility Index = 500					
$ 1,000	$ 432	$ 2,000	$ 2,432	$ -432	$ -432
2,500	1,182	2,000	3,182	-682	-1,182
4,000	1,196	2,000	3,196	0	-1,196
Eligibility Index = 1000					
$ 1,000	0	$ 2,000	$ 2,000	0	0
2,500	696	2,000	2,696	-196	-696
4,000	696	2,000	2,696	0	-696
Eligibility Index = 1500					
$ 1,000	0	2,000	2,000	0	0
2,500	196	2,000	2,196	0	-196
4,000	196	2,000	2,196	0	-196

Senator PELL. Thank you very much, indeed, Dr. Martin. I am very grateful, too, for Dr. Elmendorf staying on. I thought perhaps we could be educated better, if we had more of a dialog back and forth.

As we move along now, you can disagree with any of the statements that are made. I would hope you would chime in. We are all from a different position, but we are all for the same objective, which is the maximum possible education of the Nation's youngsters. And Dr. Elmendorf has certain restrictions and limitations which he cannot protest because he has to work within and do his best. You have the luxury of having no restrictions, Mr. Saunders and Dr. Martin, and we have some restrictions, that is, trying to get reelected.

As I understand it, in connection with the Pell grants, last year the assessment rate was 10½ percent. Under the administration's proposal without legislative changes, it is 40 percent. This may be a rather vigorous way, a painful way, of the administration trying to get its legislative proposal to pass.

If they are passed, then as I understand it, it is 11 percent for the first $5,000 13 percent from 5 and 10, 18 percent from 10 to 15, and 25 percent above 15. Is that correct?

Dr. ELMENDORF. Yes, sir. That would be correct.

Senator PELL. Now, in connection with the application forms, have they already been printed?

Dr. ELMENDORF. A majority of them have been, yes, sir.

Senator PELL. Have they been printed based on the old legislation or the legislation that you are proposing?

Dr. ELMENDORF. They have been on the old law, with the data collection intent, trying to collect and capture as much information that would be needed as a part of the newly processed legislative requirements.

Mr. Martin makes the point that there is one piece that is not on there which deals with the separation of farm assets and business assets. That is correct.

We have looked at the number of applicants that would be affected by that. It is approximately 7 percent of the applicant pool.

We feel that we could, without disrupting a majority of the pool, collect the necessary information for farm assets and business assets in that population.

Senator PELL. To collect that information, wouldn't it involve actually writing a letter to each one of those individuals and saying "please submit this further information"?

Dr. ELMENDORF. I cannot give you the specific details, but Mr. Vignone, who is our chief, Pell grants program, in charge of that program——

Senator PELL. Could you identify yourself?

Mr. VIGNONE. I am Joseph Vignone, Chief, Pell grants, Policy/Analysis Branch.

One possible way that we have been considering is to utilize the mechanisms, the eligibility report; that is, if the value is recording that data field, we would suppress computation, the eligibility index, until we sent the students—endorse delivery reports to separate the value of the categories, farm, business, the machine parts, and then at that point when the students submitted a correction,

we would then issue the eligibility reports with the eligibility index separate.

Senator PELL. Do you have a book with you, a copy of the form that is being printed?

Mr. VIGNONE. Yes.

Senator PELL. Do you have it with you?

Mr. VIGNONE. Yes.

Senator PELL. Could I see it? And if I could insert it in the record at this point, too, without objection.

[The following was received for the record:]

Final 9/25

DRAFT

SEP 29 1981

Application for Federal Student Aid

(1982-1983 School Year)

(Replaces the Basic Grant Application Form)

What Is This Application For?

You can use the form in this booklet as the first step in applying for financial aid from five student assistance programs offered by the U.S. Department of Education. These programs can help you pay for most kinds of education after high school, whether you are attending a professional school, a vocational or technical school, or college. This application is for Federal financial aid for the 1982-83 school year (July 1, 1982—June 30, 1983).

The information on this page will answer some of your questions about these five programs. The instructions will tell you what information you have to provide on the form. If you have any questions after you have read the instructions, talk to your high school counselor or the financial aid administrator at the school you want to attend.

What Are The Five Federal Financial Aid Programs?

— **Pell Grants** (formerly called Basic Grants)

Pell Grants are awarded to students who need money to pay for their education or training after high school. A Pell Grant is not a loan, so you don't have to pay it back. To get a Pell Grant, you must be an undergraduate who does not already have a Bachelor's degree. You must also go to school at least half-time.

— **Supplemental Educational Opportunity Grant (SEOG)**

An SEOG is also a grant; you don't have to pay it back. To get an SEOG, you must be an undergraduate who does not already have a Bachelor's degree. Usually you must be going to school at least half-time. However, if a school chooses, it can award SEOG's to a limited number of students who are less than half-time.

— **College Work-Study (CW-S)**

A CW-S job lets you earn part of your school expenses. These jobs are for both undergraduate and graduate students. Usually you must be going to school at least half-time. However, if a school chooses, it can award CW-S jobs to a limited number of students who are less than half-time.

— **National Direct Student Loans (NDSL)**

NDSL's are low interest loans made through your school's financial aid office. After you leave school, you must repay this money. These loans are for both undergraduate and graduate students who are going to school at least half-time.

— **Guaranteed Student Loans (GSL)**

A GSL is a low interest loan made to you by a lender such as a bank, credit union, or savings and loan association. These loans are for both undergraduate and graduate students who are going to school at least half-time. After you leave school, you must pay this money back.

Who Can Get Aid From These Federal Financial Aid Programs?

To receive financial aid from these programs, you must:

- be a U.S. citizen or an eligible noncitizen
- have financial need (The U.S. Department of Education and your school will use the information you put on this form to determine your need.)
- attend a school that takes part in one or more of the programs
- be enrolled and working toward a degree or certificate

Do All Schools Take Part In These Five Federal Financial Aid Programs?

No. But more than 6,500 colleges, universities, hospital schools of nursing, vocational, and technical schools take part in one or more of them. Contact your school's financial aid administrator to find out which Federal programs your school participates in. Also ask about any State or private aid that might be available.

What Happens After I Mail In This Form?

Within six weeks after you mail in this form, the U.S. Department of Education will send you a **Student Aid Report (SAR)**. On the SAR will be a number called a student aid index (SAI). We use a formula established by law to figure this number from the information you give us on the application.

What Is My Student Aid Index (SAI)?

The SAI is a number that tells whether you are eligible for a Pell Grant. If you are eligible the financial aid administrator at your school will use this number to determine the amount of your award. The lower your SAI is, the higher your Pell Grant will be. This number will also help the financial aid administrator determine whether or not you are eligible for aid from the SEOG, NDSL, and CW-S programs. Even if you don't qualify for a Pell Grant, you may still qualify for one or more of the other four programs. Be sure to talk to your financial aid administrator to find out if your school needs any additional information from you for these other four programs.

What Happens If I Don't Get An SAR?

If you don't get an SAR in six weeks, write to:

Federal Student Aid Programs
P.O. Box 92500
Los Angeles, CA 90009

Give your name, address, social security number, and date of birth, and ask for another copy of your SAR. If your address has changed since you sent in your application, be sure to give us both your old and your new address.

What If My Financial Situation Changes?

This application asks mostly about income and expenses for 1981. If your financial situation has recently changed for the worse, you may be able to fill out a Special Condition Application for Federal Student Aid. That application asks mostly about the income and expenses you expect to have in 1982. Contact your financial aid administrator to find out more about the Special Condition Application.

Where Can I Get More Information On Federal Financial Aid?

This booklet gives you only a brief summary of the five financial aid programs offered by the U.S. Department of Education. Each financial aid program has its own special features and procedures. In addition to the information you can get from your high school counselor or your school's financial aid administrator, you can also find out what each program offers and how it operates by reading the booklet: **The Student Guide: Five Federal Financial Aid Programs, 1982-83.**

To get a free copy, write to:

Federal Student Aid Programs
Box 84
Washington, D.C. 20044

DEADLINE: MARCH 15, 1983

We must receive your form by March 15, 1983. However, you should apply as early as possible, because mailing in your form is only the first step in applying for Federal student aid. Schools often have earlier deadlines that you will have to meet.

WARNING: The U.S. Department of Education can check the information you give on this form through a process called validation. If you are selected for validation, you and/or your parents will have to provide the 1981 U.S., State, or local income tax return, the worksheets in this booklet, and other proof that your information is correct. So it is important that you keep this booklet and these financial records. If you get Federal student aid by giving incorrect information, you may have to pay it back.

INFORMATION ON THE PRIVACY ACT AND USE OF YOUR SOCIAL SECURITY NUMBER

The Privacy Act of 1974 says that each Federal agency that asks for your social security number or other information must tell you the following:

1. its legal right to ask for the information and whether the law says you must give it;
2. what purpose the agency has in asking for it and how it will be used;
3. what could happen if you do not give it.

Our legal right to require that you provide us with your social security number for the Pell Grant and Guaranteed Student Loan programs is based on Section 7 (a) (2) of the Privacy Act of 1974.

You must give us your social security number to apply for a Pell Grant or a Guaranteed Student Loan. We need the number on this form to be sure we know who you are, to process your application, and to keep track of your record. In addition, we use your social security number in the Pell Grant Program in recording information about your college attendance and progress, in making payments to you directly in case your college does not handle this, and in making sure that you have received your money. If you do not give your social security number, you will not get a Pell Grant or a Guaranteed Student Loan.

We request that you voluntarily give us your social security number if you are using this form only to apply for financial aid under the College Work-Study, National Direct Student Loan, and Supplemental Educational Opportunity Grant programs. We use your social security number in processing your application. If you do not give us your social security number, you are not disqualified from receiving financial aid under these three programs.

Our legal right to ask for all information except your social security number is based on sections of the law that authorizes the Pell Grant, Supplemental Educational Opportunity Grant, College Work-Study, National Direct Student Loan, and Guaranteed Student Loan programs. These sections include sections 411, 413B, 443, 484, 425, 428, and 482 of the Higher Education Act of 1965 as amended.

If you apply or intend to apply for student aid under all five programs you must fill in all parts of the application form except questions 30, 41, & 42. However, if you are not applying or intending to apply for a Guaranteed Student Loan, you need not answer questions 7 and 16 as well as questions 30, 41, & 42. Finally, if you are not applying for a Pell Grant or a Supplemental Educational Opportunity Grant, you need not answer question 8 as well as 30, 41, & 42. If you do not answer question 42, we will count your answer as "No" for that question.

We ask for the information on the form so that we can figure your "student aid index." The student aid index is used to help figure out how much Federal financial aid you will get, if any. If you do not give the required information, you will not get any Federal student financial aid.

We will send your name, address, social security number, date of birth, student aid indices, student status, year in college, and State of legal residence to the colleges you list in question 41 even if you check "No" in question 42. This information will also go to the State scholarship agency in your State of legal residence to help them coordinate State financial aid programs with Federal student aid programs. Also, information may be sent to members of Congress if you or your parents ask them to help with Federal student aid questions. We may also use the information for any purpose which is a "routine use" listed in Appendix B of 34 CFR 86.

INSTRUCTIONS

Read the instructions as you fill out this form. Most mistakes result from not reading the instructions. Mistakes may delay the processing of your application.

The instructions for this form will usually answer questions that you have. If you need more help, contact a guidance counselor at your high school or the financial aid administrator at the college you plan to attend.

Although other people (besides the student who is applying for aid) may help fill out this form, it is about the student. When we use the words "you" and "your," we always mean the student. When we use the word "college," we mean a college, university, graduate or professional, vocational or technical school, or any other school beyond high school.

Records You Will Need

Get together these records for yourself and your family:

- 1981 U.S. income tax return (IRS Form 1040 or 1040A)
- 1981 State and local income tax returns
- W-2 Forms and other records of money earned in 1981
- Records of nontaxable income, such as veterans, social security, or welfare benefits
- Current bank statements
- Current mortgage information
- Records of medical or dental bills that were paid in 1981
- Business and farm records

Won't file a tax return. If you or your parents won't be filing a U.S. income tax return for 1981, you'll still need to know how much income, if any, was earned in 1981.

Tax return not completed yet. If you or your parents haven't completed a 1981 U.S. income tax return but will be filing one, use a blank tax return or the worksheet on pages 6 and 7 to help you estimate what will be on the tax return. **If the actual tax return figures are different from what you give on this form, you'll have to make corrections later.**

Foreign tax return. If you or your parents filed (or will file) a 1981 income tax return with a central government outside the United States, use the information from that tax return to fill out this form. Convert all figures to U.S. dollars. If you or your parents also filed (or will file) a U.S. income tax return, use information from both the U.S. and the foreign tax return to fill out this form.

Note: Don't report funds that you or your parents received as an award under the Distribution of Judgement Funds Act or the Alaska Native Claims Settlement Act as income or assets. Don't report property as an asset if: (a) it may not be sold or have loans placed against it without the consent of the Secretary of Interior, or (b) the property is held in trust for you or your family by the U.S. government.

When You Fill Out This Form

- Use a pen with black or dark ink; don't use a pencil.
- Print carefully, so that your form will be easy to read.
- Round off figures to the nearest dollar.

If the instructions tell you to skip a question, you can leave it blank. Otherwise, if a question does not apply to you, don't leave it blank. Put a zero in the answer space. For example:

$ 0.00

This booklet contains two copies of the form. Use one copy as a worksheet, and then be sure to keep it and this booklet for your own records. Your school may ask to see your copy of the form or the worksheets in the booklet to make sure you are getting the right amount of aid.

Section A Student's Information

Write in this section information about the student who is applying for aid.

1. Write in your last name, first name, and middle initial. Print carefully. For example:

   Williamson
   Last

2. Write in the address where you normally will be receiving mail. If you may be moving, be sure to give us your permanent mailing address. Don't use the address of the financial aid office or any other office at a school.

3. Write in your social security number. Carefully copy the number from your social security card.

4. Write in the date you were born. Show the month as a two-digit number. For example, because July is the seventh month, you would write "07" in the boxes for "Month." Write in a two-digit number for the day. The fifth day of the month would be "05." Write in the last two numbers of the year. For example, 1964 would be "64." Therefore, if you were born July 5, 1964, write:

   07 – 05 – 64
   Month Day Year

5. Write in the two-letter abbreviation for your State of legal residence. Use the State abbreviation list below:

State Abbreviations

AL	Alabama	HI	Hawaii	MT	Montana	SD	South Dakota
AK	Alaska	ID	Idaho	NE	Nebraska	TN	Tennessee
AZ	Arizona	IL	Illinois	NV	Nevada	TX	Texas
AR	Arkansas	IN	Indiana	NH	New Hampshire	TT	Trust Territory (Marshall Islands & Carolina Islands)
CA	California	IA	Iowa	NJ	New Jersey		
CM	Government of the Northern Mariana Islands	KS	Kansas	NM	New Mexico		
		KY	Kentucky	NY	New York		
		LA	Louisiana	NC	North Carolina	UT	Utah
CT	Connecticut	ME	Maine	OH	Ohio	VT	Vermont
DE	Delaware	MD	Maryland	OK	Oklahoma	VI	Virgin Islands
DC	District of Columbia	MA	Massachusetts	OR	Oregon	VA	Virginia
		MI	Michigan	PA	Pennsylvania	WA	Washington
FL	Florida	MN	Minnesota	PR	Puerto Rico	WV	West Virginia
GA	Georgia	MS	Mississippi	RI	Rhode Island	WI	Wisconsin
GU	Guam	MO	Missouri	SC	South Carolina	WY	Wyoming

If your place of residence is not included above, leave the State abbreviation blank and write the name of the country or territory in the space for city.

6. If you are a U.S. citizen, check box (a) and go on to question 7. Check box (b) if you are one of the following:

   - U.S. national
   - U.S. permanent resident, and you have an Alien Registration Receipt Card (I-151 or I-551)
   - Permanent resident of the Northern Mariana Islands
   - Permanent resident of the Trust Territory of the Pacific Islands
   - Other noncitizen, and you have one of the following documents from the U.S. Immigration and Naturalization Service:
     - An official statement that you have been granted asylum in the U.S.
     - Arrival-Departure Record (I-94) showing any one of the following designations:
       - (a) "Refugee"
       - or (b) "Adjustment Applicant"
       - or (c) "Conditional Entrant"
       - or (d) "Indefinite Parole"

If you cannot check box (a) or (b), you must check box (c). If you check (c), you cannot get Federal student aid. If you are in the U.S. on only an F1 or F2 student visa or only a J1 or J2 exchange visitor visa, you cannot get Federal student aid.

7. Check your year in college from July 1, 1982 to June 30, 1983. Check only one box.
8. Check "No" if you do not have a Bachelor's degree and you will not have one by July 1, 1982.

   Check "Yes" if you will have a Bachelor's degree by July 1, 1982. Also, check "Yes" if you will have a degree from a university in another country that is equal to a Bachelor's degree.
9. Check the box for your current marital status.
10. Write in the number of dependent children you have. If you have no dependent children, write in "0".

Section B Student's Status

When we say "parents" in Section B of the form, we mean your mother and/or father, or your adoptive parents. In some cases, we mean a legal guardian who has been appointed by a court. We don't mean foster parents and, for this section, we don't mean stepparents. (But later in the instructions, we will tell you if information about your stepparent is required.)

Before you answer questions 11, 12, and 13, read the descriptions below and check the box next to the one that is true for you.

- ☐ **Your parents are both living and married to each other.** Answer the questions in Section B about them.
- ☐ **Your parents are divorced or separated.** Answer the questions in Section B about the parent you lived with most in the last 12 months. For example, if you lived with your mother most, answer questions 11, 12, and 13 about her, and not about your father.

  If you didn't live with either parent, or you lived with each parent an equal number of days, answer the questions in Section B about the parent who provided the greater amount of support to you in the last 12 months. (Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)
- ☐ **Your parent is widowed or single.** Answer the questions in Section B about your widowed or single parent.
- ☐ **Your parents are both dead** and you don't have an adoptive parent or a legal guardian. Answer "No" to all questions in Section B, and fill in the gray shaded areas on the rest of this form.
- ☐ **You have a legal guardian.** Answer the questions in Section B about your legal guardian. This is only a person whom a court has (a) appointed to be your legal guardian and (b) directed to support you with his or her own financial resources.
- ☐ **You are a ward of the court.** Answer "No" to all questions in Section B, and fill in the gray shaded areas on the rest of this form.

Now answer questions 11, 12, and 13 based on which box you checked. Answer all three questions for both 1981 and 1982. If you leave any answer blank, we will count it as "Yes."

11. If you lived in your parents' home for more than six weeks (a total of 42 days) in 1981 or you will in 1982, you must answer "Yes." You must answer "Yes" even if you pay your parents for room and board.
12. If your parents claimed you on their U.S. income tax return for 1981, or if they will claim you for 1982, you must answer "Yes."
13. If your parents gave you more than $750 worth of support in 1981, or if they will do so in 1982, you must answer "Yes." (Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)

Important Instructions for Sections C, D, & E

If you are **married** at the time you are filling out this form, consider yourself **married** for the purpose of deciding which areas of the form you must fill out.

Unmarried students. (Single, separated, divorced, or widowed)

If you answered "Yes" to any of the questions in Section B, you must fill in the red shaded areas on the form with information about your **parents.** In Section C, answer questions 14-18. In Section D, give financial information about your **parents** for questions 21-30, but be sure to answer questions 31 and 32 about yourself. In Section E, give financial information about your parents. Don't fill in the gray shaded areas.

If you answered "No" to all six questions in Section B, you must fill in the gray shaded areas on the form with information about **yourself.** In Section C, answer questions 19 and 20. In Section D, give financial information about **yourself,** but don't answer questions 31 and 32. In Section E, give financial information about yourself. Don't fill in the red shaded areas.

Married students.

If you answered "Yes" to any of the questions in Section B for the year 1982, you must fill in the red shaded areas on the form with information about your **parents.** In Section C, answer questions 14-18. In Section D, give financial information about your **parents** for questions 21-30, but be sure to answer questions 31 and 32 about **yourself.** In Section E, give financial information about your parents. Don't fill in the gray shaded areas.

If you answered "No" to all three questions in Section B for the year 1982, you must fill in the gray shaded areas on the form with information about **yourself** and **your spouse** (your husband or wife). In Section C, answer questions 19 and 20. In Section D, give financial information about **yourself** and **your spouse.** Don't answer questions 31 and 32. In Section E give financial information about yourself and your spouse. Don't fill in the red shaded areas.

Section C Household Information

Parents' information—red areas

Fill in this section with information about your parents.

If your parents are separated or divorced, or if your parent is widowed or single. Give information only about the parent that you counted in Section B. If that parent has married or remarried, read the next paragraph.

If you have a stepparent. If the parent that you counted in Section B has married or remarried, you must also include information about your stepparent if either:

- you lived with your stepparent (and parent) for more than six weeks (a total of 42 days) in 1981, or will in 1982;

or

- you got or will get more than $750 in support from your stepparent in 1981 or 1982.

If you are reporting information about your stepparent, note that whenever we say "parents" on the rest of this form, we also mean your **stepparent.**

14. Check the box for your parents' current marital status.

    Show the current marital status of the people that you give information about on this form. For example, if you must give information about your mother and stepfather, check the box that says "married," because your mother and stepfather are married.

15. Write in the two-letter abbreviation for your parents' State of legal residence. See the list of State abbreviations on page 3.

16. Write in the age of your older parent.

17. Write in the number of people that your parents will support between July 1, 1982 and June 30, 1983. Include your parents, yourself, and your parents' other dependent children. If you (the student) have dependent children, also include them. Include other people only if they now live with and get more than half of their support from your parents and will continue to get this support between July 1, 1982 and June 30, 1983. Don't include your (the student's) spouse.

18. Write in the number of people from question 17, including yourself, who will be going to college or other schools beyond the high school level between July 1, 1982 and June 30, 1983. To be included here, each student must be enrolled at least half-time. Half-time means the student is taking at least 6 credit hours per term. If the school uses clock hours, the student must be attending at least 12 clock hours per week.

Student's (& spouse's) information—gray shaded areas

Fill in this section with information about yourself (and your spouse). If you are divorced or separated, don't include information about your spouse.

19. Write in the number of people that you (and your spouse) will support between July 1, 1982 and June 30, 1983. Include yourself, your spouse, and your dependent children. Include other people only if they now live with and get more than half of their support from you (and your spouse), and will continue to get this support between July 1, 1982 and June 30, 1983.

20. Write in the number of people from question 19, including yourself, who will be going to college or other schools beyond the high school level between July 1, 1982 and June 30, 1983. To be included here, each student must be enrolled at least half-time. Half-time means the student is taking at least 6 credit hours per term. If the college uses clock hours, the student must be attending at least 12 clock hours per week.

Section D Income and Expense Information

If your parents filed or will file a 1981 U.S. income tax return, fill in the answers in this section using your parents' 1981 U.S. income tax return (IRS Form 1040 or 1040A) or other financial records. Make sure you answer all of the questions in the section marked "TAX FILERS ONLY." If you are giving information for only one parent, and that parent filed (or will file) a joint tax return for 1981, give only that parent's portion of the income and expenses asked for in questions 22-26. Answer questions 31 and 32 about yourself.

If your parents did not and will not file a 1981 U.S. income tax return, skip questions 21-25, and answer questions 26-30, using your parents' financial records. The kinds of records we mean are: statements of income that your parents earned in 1981 and statements of nontaxable income that your parents got in 1981 (like social security, disability, and welfare benefits). Answer questions 31 and 32 about yourself.

If you (and your spouse) filed or will file a 1981 U.S. income tax return, fill in the answers in this section using your (and your spouse's) 1981 U.S. income tax return (IRS Form 1040 or 1040A) or other financial records. Make sure you answer all of the questions in the section marked "TAX FILERS ONLY." If you are divorced, separated, or widowed, and you filed (or will file) a joint tax return for 1981, give only your portion of the income and expenses asked for in questions 22-26. Don't answer questions 30, 31, and 32.

If you (and your spouse) did not and will not file a 1981 U.S. income tax return, skip questions 21-25, and answer questions 26-29 using your (and your spouse's) financial records. The kinds of records we mean are: statements of income that you (and your spouse) earned in 1981 and statements of nontaxable income that you (and your spouse) got in 1981 (like social security, disability, and welfare benefits). Don't answer questions 30, 31, and 32.

21. **Tax return figures**

    Check the box that says "from a completed return" if the 1981 U.S. income tax return has been filled out. For questions 22 through 25 you should copy the answers from the tax return.

    Check the box that says "estimated" if the 1981 income tax return has not been filled out. For questions 22 through 25 you must write in the figures that will be on the tax return. Use a blank 1981 U.S. income tax return to help you answer these questions. Use the worksheet on page 6 to figure out your answer for question 23.

Important:

When figuring your income, don't include any earnings from student financial aid programs, such as College Work-Study. If a number that you copy from a U.S. income tax return includes such earnings, **subtract** them before you write in that number.

22. **Total number of exemptions for 1981**

    Write in the number from Form 1040, line 6e or 1040A, line 6.

23. Income for 1981 from U.S. tax return

If a U.S. income tax return for 1981 has been completed, write in the number from Form 1040, line 31 or 1040A, line 10.

If a U.S. income tax return for 1981 has not been completed, use the worksheet below.

Worksheet for question 23.

Wages, salaries, tips, etc. (Don't include student financial aid.)	$	.00
Interest and dividend income after IRS exclusion	+	.00
Other taxable income (alimony received, business and farm income, capital gains, pensions, annuities, rents, and all other taxable income)	+	.00
Add all of the numbers in the column.	=	.00
Subtract any adjustments to income (moving expenses, employee business expenses, payments to IRA and Keogh accounts, interest penalty on early withdrawal of savings, alimony paid, and income received for permanent and total disability).	−	.00
This is your answer for question 23. TOTAL	$	.00

24. a. U.S. income tax paid for 1981

Write in the number from Form 1040, line 47 or 1040A, line 15a. Make sure this number doesn't include any FICA, self-employment, or other taxes. Don't copy the amount of "Federal income tax withheld" from a W-2 Form.

b. State and local income taxes paid for 1981

Write in the total amount of State and local income taxes actually paid for 1981. This is the amount withheld minus any refund, or the amount withheld plus any additional amount due. Don't count sales, property, or any other taxes that are not taxes on income.

25. Itemized deductions for 1981

Write in the number from Form 1040, Schedule A, line 39. If deductions were not itemized or if a Form 1040A was filed, write in "0." (Business or farm owner: don't use numbers from Schedule C or F.)

26. Income earned from work in 1981

Write in the amount of income earned from work in 1981 by (a) your father and (b) your mother.

If you skipped questions 21 through 25, include your parents' earnings from work in 1981.

If you answered questions 21 through 25, include the "Wages, salaries, tips, etc." from your parents' Form 1040, line 7 or 1040A, line 7. If your parents own a business or farm, also add in the numbers from Form 1040, lines 11 and 18.

Write in the amount of income earned from work in 1981 by (a) you and (b) your spouse.

If you skipped questions 21 through 25, include your (and your spouse's) earnings from work in 1981.

If you answered questions 21 through 25, include the "Wages, salaries, tips, etc." from your (and your spouse's) Form 1040, line 7 or 1040A, line 7. If you (or your spouse) own a business or farm, also add in the numbers from Form 1040, lines 11 and 18.

27. Other income and benefits for 1981

a. Social security benefits for 1981

Write in the amount of social security benefits (including Supplemental Security Income) that your parents got in 1981. Be sure to include the amounts that your parents got for their children under age 18. But don't include your benefits, even if they are part of your parents' social security check.

This question does not apply to you. Go on to 27b.

b. Aid to Families with Dependent Children (AFDC or ADC) for 1981

Write in the total amount of benefits that your parents got in 1981 from Aid to Families with Dependent Children. (These are usually called either AFDC or ADC benefits.)

Write in the total amount of benefits that you (and your spouse) got in 1981 from Aid to Families with Dependent Children. (These are usually called either AFDC or ADC benefits.)

c. All other income and benefits for 1981

Add up your parents' other income and benefits for 1981. Use the worksheet below.

Add up your (and your spouse's) other income and benefits for 1981. Use the worksheet below.

Worksheet for question 27c

Child support received	$	.00
Welfare benefits (except AFDC or ADC)	+	.00
Unemployment compensation (Don't include any amount that you included in question 23.)	+	.00
Railroad Retirement Benefits	+	.00
Disability income	+	.00
Veterans benefits except educational benefits (Include Death Pension & Dependency and Indemnity Compensation (DIC) benefits.)	+	.00
Interest on tax-free bonds	+	.00
IRS interest and dividend exclusion	+	.00
Untaxed portion of pensions & capital gains	+	.00
Housing, food, & other living allowances for military, clergy, & others (Include cash payments and cash value of benefits.)	+	.00
Any other income and benefits (Don't include the types listed below.)	+	.00
This is your answer for question 27c. TOTAL	$	.00

Don't include:
- Any income reported in questions 23, 26a and b, and 27a and b
- Money from student financial aid programs (educational loans, work-study earnings, grants, or scholarships)
- Veterans benefits for education (GI Bill, Dependents Educational Assistance Program, or VA Contributory Benefits)
- "Adjustments to income" reported on the 1981 U.S. income tax return (Form 1040, line 30)
- Gifts and support, other than money, received from friends or relatives
- Food stamps or tax-sheltered or deferred annuities.

You must keep this worksheet. Don't send it in with your application form, because you may be asked to refer to it later to verify the information on your application. It may also help you to show that your SAR is accurate.

28. Medical and dental expenses in 1981 not paid by insurance

Write in the amount of money that your parents paid in 1981 for medical and dental expenses. Don't include amounts covered by insurance or the cost of insurance premiums. If your parents itemized deductions on their 1981 U.S. income tax return, write in the total of lines 2 and 6a, b, c, and d of Form 1040, Schedule A.

Write in the amount of money that you (and your spouse) paid in 1981 for medical and dental expenses. Don't include amounts covered by insurance or the cost of insurance premiums. If you (and your spouse) itemized deductions on your 1981 U.S. income tax return, write in the total of lines 2 and 6a, b, c, and d of Form 1040, Schedule A.

29. Elementary, junior high, and high school tuition paid in 1981

Write in the amount of money that your parents paid in 1981 for elementary, junior high, and high school tuition for their children. (Tuition doesn't include room and board.) Don't include any tuition that your parents paid for you, or any tuition for preschool or college. Also, don't include tuition paid by scholarships.

Write in the amount of money that you (and your spouse) paid in 1981 for elementary, junior high, and high school tuition for your children. (Tuition doesn't include room and board.) Don't include any tuition that you paid for yourself, or any tuition for preschool or college. Also, don't include tuition paid by scholarships.

Then, skip to Section E.

30. Expected 1982 taxable and nontaxable income and benefits

Write in the total amount of taxable and nontaxable income and benefits that your parents expect to get in 1982. Include the types of income that were asked for in questions 23 and 27a, b, and c. If you skipped questions 21 through 29, include the types of income that we asked for in questions 26a and b, and 27a, b, and c.

31. Student's (and spouse's) 1981 income

Use this worksheet to figure the student's (and, if married, spouse's) 1981 income. If the student is divorced, separated, or widowed, don't include information for the spouse.

Worksheet for question 31

Student's 1981 earnings from work (Don't include work-study earnings.)	$ .00
Spouse's 1981 earnings from work (Don't include work-study earnings.)	+ .00
Other 1981 taxable & nontaxable income—interest, dividends, AFDC or ADC, etc. (Don't include veterans educational benefits, social security benefits, or student financial aid.)	+ .00
Add all the numbers in the column.	= .00
Subtract 1981 U.S., State, and local income taxes paid by student (& spouse).	− .00
This is your answer for question 31. TOTAL	$ .00

32. Student's (and spouse's) assets

Use this worksheet to figure the student's (and, if married, spouse's) assets. If the student is divorced or separated, don't include information for the spouse.

Worksheet for question 32

Amount in cash, savings, & checking accounts (Don't include money from student financial aid programs.)	$ .00
Real estate & investments other than the home you live in (See instruction for question 33.) What is it worth now? $ .00 — What is owed on it? $ .00	= .00
Business & farm (See instruction for question 34.) What is it worth now? $ .00 — What is owed on it? $ .00	= .00
Add all numbers in the right-hand column. This is your answer for question 32. TOTAL	$ .00

Section E Asset Information

You must give information about your parents' assets in questions 33 through 38. Don't include money from student financial aid programs, such as grants, loans, and work-study. If you are giving information for only one parent and that parent has jointly owned assets, give only that parent's portion of the assets and debts.

You must give information about your (and your spouse's) assets in questions 33 through 38. Don't include money from student financial aid programs, such as grants, loans, and work-study. If you are divorced or separated and you have jointly owned assets, give only your portion of the assets and debts.

Don't include personal or consumer loans, or any debts that are not related to the assets listed.

33. Cash, savings, and checking accounts

Write in the amount of money that is in cash, savings, and checking accounts today.

34. Home

Write in how much the home is worth today. Use the realistic price at which the home could be sold. Don't use assessed, insured, or tax value. A "home" includes a house, mobile home, condominium, etc. Renters, write in "0."

Then, write in how much is owed on the home, including the present mortgage and related debts on the home. (Don't include interest due.) Check with the mortgage company if you don't know.

35. Other real estate and investments

Write in how much other real estate and investments are worth today. Investments include trust funds, money market funds, stocks, bonds, other securities, commodities, precious and strategic metals, etc.

Then, write in how much is owed on other real estate and investments.

36. Business and farm

Write in how much the business and farm are worth today. Include the value of land, buildings, machinery, equipment, livestock, inventories, etc. Don't include how much the home is worth. (Home value should be given in question 34.)

Then, write in what is owed on the business and farm. Include only the present mortgage and related debts for which the business and farm were used as collateral.

If your parents are not the sole owners, write in only their share of the total business and farm value and debt.

If you (and your spouse) are not the sole owners, write in only your (and your spouse's) share of the total business and farm value and debt.

All students must fill in Sections F & G

Section F Student's (& Spouse's) Expected Income and Benefits

Questions 37-40 ask about income and benefits that you expect to get. Answer these questions as accurately as you can. If a question doesn't apply to you, or if you don't expect to get any income or benefits from that source, don't leave it blank; write in "0."

37. a. & b. Taxable income

Write in the total amount of taxable income that (a) you and (b) your spouse expect to get during the **3-month summer of 1982 and the 9-month school year of 1982-83.**

Include:
- Wages, salaries, and tips
- Interest and dividend income
- Any other income that will be earned or taxed

Don't include income from a job that you (or your spouse) will get from student financial aid programs, such as CW-S.

38. Social security benefits

Write in the amount of social security benefits (including Supplemental Security Income) that you will get per month **from July 1, 1982 through June 30, 1983,** and the number of months during this time that you will get these benefits. Include benefits for yourself, your spouse, and your dependent children. If you're not sure how much you will get, contact the Social Security Administration.

39. Veterans educational benefits

Write in the amount of veterans educational benefits that you will get per month **from July 1, 1982 through June 30, 1983,** and the number of months during this time that you will get these benefits. Include only what you (the student) will get from the GI Bill and Dependents Educational Assistance Program. If you are not sure how much you will get, contact the Veterans Administration.

Don't include Death Pension, Dependency and Indemnity Compensation (DIC), VA Contributory Benefits, or your spouse's GI Bill.

40. Other income and benefits

Write in the amount of other income and benefits that you (and your spouse) expect to get **from July 1, 1982 through June 30, 1983.**

Include:
- Child support received for your children
- Aid to Families with Dependent Children (AFDC or ADC)
- Welfare benefits
- Unemployment compensation (Don't include any unemployment compensation that you included in question 37a or 37b.)
- Railroad Retirement Benefits
- Disability income
- Veterans benefits, such as Death Pension and Dependency and Indemnity Compensation (DIC) benefits (Don't include the benefits that you gave in question 39 or VA Contributory Benefits.)
- Spouse's GI Bill
- Interest on tax-free bonds
- Untaxed portions of pensions and capital gains
- Housing, food, and other living allowances for military, clergy, and others (include cash payments and cash value of benefits.)
- Any other income and benefits

Don't include food stamps, money from student financial aid programs (educational loans, work-study earnings, grants, or scholarships), or any of the income or benefits that you reported in 37, 38, and 39.

Section G Colleges, Release, & Certification

41. Write in the name, city, and State of the college that you will be going to during the 1982-83 school year. Use the first two lines under 41 (#1). If you are considering more than one college, write in on the first two lines the name and address of the college that you are most likely to attend. Use the next two lines (#2) for the name and address of the college you are most likely to attend if you don't attend the first one. If you don't know yet which colleges you are interested in, you may leave this question blank.

42. a. Check "Yes" if you give us permission to send information from this form to the financial aid agency in your State. Some State agencies may ask for this information. They may use it to help decide whether you will get a State award, and to check to see if you reported correct information on your State student aid application.

Check "No" if you don't want us to send information from this form to the financial aid agency in your State. If you check "No," your State aid may be delayed, but it will have no effect on your Federal aid.

42. b. Check "Yes" if you give us permission to send information from this form to the colleges that you listed in question 41. Many colleges use this information to help estimate the amount of your financial aid package.

Check "No" if you don't want us to send information from this form to the colleges that you listed in question 41.

43. You must sign this form. If you are married, your spouse must sign this form. If you filled in the red shaded areas, at least one of your parents must also sign this form. Everyone signing this form is saying that all information on the form is correct and that they are willing to give documents (such as a copy of their 1981 U.S., State, or local income tax returns) to prove that the information is correct.

Sending In Your Form

Double-check your form, to make sure it is complete and accurate. Be sure it has the necessary signatures.

Put the form in the envelope that comes with this booklet. You don't have to send any money. Don't put letters, tax forms, worksheets, or any extra materials in the envelope; this will only slow down the processing of your application.

Also include the postcard that comes with this booklet. As soon as we receive your application, we will mail the postcard back to you, stamped with the date you should expect to receive your SAR. If you don't receive the postcard within four weeks, send us another application form.

Application for Federal Student Aid

School Year 1982-83

Read instructions as you fill out this form.

WARNING: If you use this form to establish your eligibility for Federal student aid funds, you should know that any person who makes false statements or misrepresentations on this form is subject to a fine or to imprisonment or both, under provisions of the United States Criminal Code.

Section

A Student's Information

1. Student's name — Last — First — M.I.
2. Student's permanent mailing address (See page 3 for State abbreviation) — Number and Street — Apt. No. — City — State — Zip Code
3. Student's social security number
4. Student's date of birth — Month — Day — Year
5. Student's State of legal residence — State
6. The student is (a) ☐ a U.S. citizen (b) ☐ an eligible non-citizen (see instructions) (c) ☐ neither of the above (see instructions)
7. Student's year in college during 1982-83 (Check only one box) ☐ 1st (freshman) ☐ 2nd (sophomore) ☐ 3rd (junior) ☐ 4th (senior) ☐ 5th (undergraduate) ☐ Beginning graduate or professional (beyond a Bachelor's degree) ☐ Continuing graduate or professional
8. Will the student have a Bachelor's degree by July 1, 1983? ☐ Yes ☐ No
9. The student is ☐ unmarried (single, divorced, widowed) ☐ married ☐ separated
10. How many dependent children does the student have? (If none, write in "0".)

Section

B Student's Status

Read the instructions on page 4 to find out who counts as the student's parent before you answer 11, 12, and 13.

	Yes	No		Yes	No
11. Did or will the student live with the parents for more than six weeks (42 days)			in 1981?	☐	☐
12. Did or will the parents claim the student as an income tax exemption			in 1981?	☐	☐
13. Did or will the student get more than $750 worth of support from the parents			in 1981?	☐	☐

Unmarried Students (single, separated, divorced, or widowed)

If you answered "Yes" to any of the questions in Section B, you must fill in the RED shaded areas. DON'T fill in the gray shaded areas.

If you answered "No" to all 3 questions in Section B, you must fill in the GRAY shaded areas. DON'T fill in the red shaded areas.

Married Students

If you answered "Yes" to any of the questions in Section B for the year 1982, you must fill in the RED shaded areas. DON'T fill in the gray shaded areas.

If you answered "No" to the 3 questions in Section B for the year 1982, you must fill in the GRAY shaded areas. DON'T fill in the red shaded areas.

Section

C Household Information

PARENTS

NOTE: If your parents are separated or divorced, if your parent is widowed or single, or if you have a stepparent, you must read the instructions on page 5 before going on.

14. The parents' current marital status is ☐ single ☐ married ☐ divorced ☐ separated ☐ widowed
15. The parents' State of legal residence is
16. The age of the older parent is
17. The total size of the parents' household during 1982-83 will be (Include the student even if he/she does not live at home. Include parents and parents' other dependent children. Include other people only if they meet the definition in the instructions.
18. Of the number in 17, how many will be in college during 1982-83? (Include the student who is applying for aid and others who will be in college at least half-time.

STUDENT (& SPOUSE)

19. The total size of the student's household during 1982-83 will be (Include the student, spouse, and student's dependent children. Include other people only if they meet the definition in the instructions.
20. Of the number in 19, how many will be in college during 1982-83? (Include the student who is applying for aid and others who will be in college at least half-time.

C1

Section

D Income and Expense Information

- If you will file or have filed a 1991 U.S. Income tax return, go to 21.
- If you will not file a 1991 U.S. Income tax return, skip to 26.

TAX FILERS ONLY

		PARENTS	STUDENT (& Spouse)
21.	The following 1991 U.S. Income tax return figures are (See instructions.)	☐ from a completed return ☐ estimated	☐ from a completed return ☐ estimated
22.	1991 total number of exemptions (Form 1040, line 6e or 1040A, line 6)		
23.	1991 income from IRS Form 1040, line 31 or Form 1040A, line 16 (Use worksheet on page 5.)	$ .00	$ .00
24. a.	1991 U.S. income tax paid (Form 1040, line 47 or 1040A, line 28a)	a. $ .00	$ .00
b.	1991 State and local income taxes paid	b. $ .00	$ .00
25.	1991 itemized deductions (Form 1040, Schedule A, line 29 (write "0" if deductions were not itemized.)	$ .00	$ .00
26.	1991 income earned from work by	a. Father $ .00	26a. Student $ .00
		b. Mother $ .00	b. Spouse $ .00
27.	1991 other income and benefits		27a. X X X X
	a. Social security benefits (Don't include the student's benefits.)	a. $ .00	b. $ .00
	b. Aid to Families with Dependent Children (AFDC or ADC)	b. $ .00	c. $ .00
	c. All other 1991 income and benefits (Child support, disability income, etc.) (Use worksheet on page 5.)	c. $ .00	28. $ .00
28.	1991 medical and dental expenses not paid by insurance	$ .00	29. $ .00
29.	1991 elementary, junior high, and high school tuition paid (Don't include tuition paid for the student.)	$ .00	
30.	Expected 1992 taxable and nontaxable income and benefits (See instructions.)	$ .00	

- If you are filling in the red shaded areas, answer 31 and 32 about the student. (Use the worksheets in the instructions to figure out the answers.)

If you are filling in the gray shaded areas, skip to Section E.

Don't answer 30, 31, and 32.

31.	Student's (& spouse's) total 1991 income minus U.S., State, and local income taxes paid	$ .00
32.	Student's (& spouse's) savings and net assets	$ .00

Section

E Asset Information

		PARENTS		STUDENT (& Spouse)	
		What is it worth now?	What is owed on it?	What is it worth now?	What is owed on it?
33.	Cash, savings, and checking accounts	$ .00		$ .00	
34.	Home (Persons write in "0.")	$ .00	$ .00	$ .00	$ .00
35.	Other real estate and investments	$ .00	$ .00	$ .00	$ .00
36.	Business and farm	$ .00	$ .00	$ .00	$ .00

Section All students must fill in Sections F and G

F Student's (& Spouse's) Expected Income and Benefits

		Summer 1992	School Year 1992-93
37. a.	Student's taxable income (Don't include student financial aid.)	3 months $ .00	9 months $ .00
b.	Spouse's taxable income (Don't include student financial aid.)	3 months $ .00	9 months $ .00
		July 1, 1993—June 30, 1993	
38.	Social security benefits (for student, spouse, and dependent children)	Amount per month $ .00	Number of months
39.	Veterans educational benefits (Include only the student's benefits from the GI Bill and Dependents Educational Assistance Program. Don't include VA Contributory Benefits.)	Amount per month $ .00	Number of months
40.	Other income and benefits of student (& spouse) Don't include students financial aid or any of the income or benefits given in 37, 38, & 39)	Amount for July 1, 1992 to June 30, 1993 $	.00

Section

G Colleges, Release, and Certification

41. Student's college for the 1992-93 school year

1. Name of College ____ City ____ State ____
2. Name of College ____ City ____ State ____

Dept. of Ed. Use Only

42. Do you give the U.S. Department of Education permission to send information from this application to:
   a. the financial aid agency in your State? Yes ☐ No ☐
   b. the colleges listed in 41? Yes ☐ No ☐

NOTE: Answering "Yes" to 42 a and 42 b will not meet the requirements of most States and colleges for applying for financial aid. (See instructions.)

43. Certification: All of the information on this form is true and complete to the best of my knowledge. If asked by an authorized official, I agree to give proof of the information that I have given on this form. I realize that this proof may include a copy of my 1991 U.S., State, or local income tax return. I also realize that if I do not give proof when asked, the student may not get aid.

SIGN:

Student ____ Student's Spouse ____ Date completed (month / day / year)

Father ____ Mother ____

Mail this form to: Federal Student Aid Programs, P.O. Box 82499, Los Angeles, CA 90030-2499

TAB F - WEEKLY PRODUCTION SUMMARY

1981-82 Pell Grant Application Processing
as of 10/16/81

	Pell	ACT	CBS	PHEAA	TOTAL
Original Apps.	1,111,515	776,694	2,346,880	218,513	4,453,602
Percent Eligible	58.6%	48.2%	45.2%	39.9%	48.8%
Percent Ineligible	10.6%	22.2%	25.2%	22.9%	20.9%
Percent Rejected:					
Insufficient Data	25.9%	24.5%	26.2%	18.6%	25.5%
Unofficial Apps.	4.9%	5.0%	3.3%	18.6%	4.8%

As a similar point in 1980-81 we had processed 4,386,670 original applications and 1,857,471 history corrections.

Senator PELL. Now, am I correct in saying that these forms were printed based on the current law, not under proposed law?

Dr. ELMENDORF. That is correct.

Senator PELL. Thank you.

Now, in the question of decoupling or separating the campus-based programs, in determining need, how are you going to make sure that the students will have to complete only one national aid form and it will be free of cost to the student? It would seem to me, if you decouple these, that some students will have to fill out two forms.

Am I correct in that?

Mr. MARTIN. Not necessarily, Senator.

Under the Department's current contractor, the uniform methodology, which is the other system that we are talking about, it is very similar and operates under the same core data system. The question is what you do with those elements in a formula of either applying that in various tax rates or assets, a different rate. You can either liberalize or restrict that schedule.

For example, under the Pell grants system, we provide some kind of what we call a family-sized offset which provides maintenance for a family; that set of assets, or that set of offsets has historically been based on the social security budget figures.

Those figures were developed originally because of overall program costs. Those are fine for assessing families that are older and with a fixed income, things that are retired and so on. They are not very indicative of the condition that families find themselves in, that have students enrolled in postsecondary education. Probably using the low figures by the budget statistics would be a better indicator.

Those offsets range from between $1,500, $1,600, or more, and so that provides a lot of difference in terms of whether or not that is a real assessment of what the discretion of the income of the family is. Still, students could fill out one form and the processors would simply produce one figure that would determine eligibility for Pell grants, and a separate figure for different eligibility for campus-based or GSL.

Senator PELL. These two forms would be repetitious?

Mr. MARTIN. You would not have to have two forms. The collection of the data, once it is transposed in the computer, would be two different matters.

Senator PELL. You could do it with one single form?

Mr. MARTIN. That is correct.

Senator PELL. That the students would fill out?

Dr. ELMENDORF. With different numbers, and assuming one for the Pell grants calculation and another one for calculation of the campus program.

Senator PELL. These forms that you have given me here, that have been inserted in the record, that is all the students would have to fill out, is that correct?

Mr. VIGNONE. Senator, may I just add one more comment?

Indeed, we do right now produce two numbers, one for the family contribution——

Senator PELL. Two numbers, but from the same form.

Mr. VIGNONE. Right, from the same form. We just manipulate the data two different ways and two different numbers appear. So there is no real technical problem.

Senator PELL. Incidentally, in connection with that form, my understanding was that it was required to be submitted to Congress not later than September 1. Yet the schedule we are considering today we received in October.

What was the reason for the delay?

Dr. ELMENDORF. I will answer that.

I believe the requirement that we were under was 30 days of the date of reconciliation was passed. We had the form ready, and I believe that the clearance processes in the Department were late in getting it up here.

Senator PELL. Right. Another year, we hope this would not occur.

I realize you have the new administration coming in, but the date of September 1 was very carefully thought out, obviously. Why didn't you develop a family contribution schedule that reflected the authorization of $2.65 billion, which is the current law, or is the budget reconciliation figure and is the figure for which we in the Congress will be fighting for quite hard.

Dr. ELMENDORF. I believe we have a major problem in Government, and that is trying to help the President meet the economic recovery plan he set forth.

If the latest information is correct, that by 1984 we might have as high as $100 billion deficit, then I think we should attempt to do everything we can in the programs which we manage to help the President. My feeling is that we also have another obligation to protect low incomes and the formula that we developed, as you heard injected, which I stated was developed with the expressed intent of protecting low-income students, I feel that the data we have is protective of the population group for which this legislation was originally written and intended.

My sense is that that group can be protected and a lower number achieved to help the President at the same time.

Senator PELL. We obviously have some disagreement on this. We all want to balance the budget, but the question is, where do the cuts come? Personally, I would rather see them come out of defense, the hardware sector, more than the human sector, the capital sector, health, and education. It is a question of philosophy, and now we have to work out compromises in this regard.

If you assume the year application to be 1982, in the use of these forms, Dr. Elmendorf, would not this knock out students who would be applying late or, more important, students who are enrolled in proprietary schools, what we call "for profit" taxpaying schools, as opposed to nontaxpaying schools, which they like to be described as, and correctly.

Dr. ELMENDORF. Let me defer to Mr. Vignone for that question.

Mr. VIGNONE. I'm sorry, I did not quite understand the thrust of your question.

The form would be submitted early this year, after the first of January, for all students, whether they were enrolled or plan to be enrolled in a proprietary or public school.

Senator PELL. My understanding is that in current law the student has until March to apply for a grant for the school year beginning the previous September.

Now, proprietary schools have course offering of shorter duration which may not even begin until 1983; even though part of the 1982-83 act will be split, those students would not be eligible for Pell grants because the year application would be 1982.

Mr. VIGNONE. No, that is not true, Senator, because it is a summer session trade-off.

What occurs here is through regulation those particular proprietary schools, a school could make a choice to use the 1982 application form and award its Pell grants based on the 1981-82 form.

Mr. MARTIN. That particular point that you referenced used to be a problem, but the Department, I believe, corrected that 2 years ago by providing a change, moving away from the October 16 date to allow the schools the overlap of using one year or the other year's form so that the proprietary institutions are now treated in the same manner that is equitable for those courses that began later in the year as anyone else.

I think since that change has been made we have not heard any complaints from that particular sector about that problem.

Senator PELL. Thank you.

Now, I have another question—and some of these questions I am asking you on behalf of the chairman, who could not be with us at this time.

Although I would agree that the series of assessment rates on discretionary income in your alternative legislative proposal for Pell grant distribution is preferable to the "relatively harsh" rates in the family contribution schedule, we have certain concerns about other elements of your suggested legislation.

Would you explain, for example, why social security student assistance, which tends to go to the neediest students, and which is in the process of being phased out, why should that be reduced dollar-for-dollar from a student's Pell grant award?

In addition, your proposal would reduce the asset reserve currently allowable for families which do not own their homes from $25,000 to $8,000, while greatly increasing the asset reserves for farm families.

Would you tell us your reasoning for proposing these changes?

Dr. ELMENDORF. Let me see if I can answer the first question.

The reason for excluding social security and Veterans' Administration, in our opinion, is that as the funds for this program are fixed, we believe that the $2.18 figure is a harsh figure but more or less a realistic one.

It would appear to me that we still need to treat the low-income students. As we change the requirements for other populations like veterans or social security recipients who have available to them for the same purpose educational attendance, another source of funds, we have, in fact, created some ineligible people falling off of Pell grants program eligibility.

We also, in the case of an individual who attends a low-cost public community college, received at that institution with eligibility right now for a Pell grant program, and full VA benefits, in fact finds himself in a position where he is overawarded by a con-

siderable amount of money, more than other students who we feel should deserve to have access to those diminishing Pell grants.

The other question you asked dealt with the asset reserve. The difference between the two, under the Notice of Proposed Rulemaking, current law, with the more stringent base, we are providing for home equity to be excluded rather than included with a $10,000 asset reserve and a $25,000 asset reserve for people who do not own homes, and an additional $50,000 asset reserve against farm and business.

Under the new statutory proposal we make, that has been changed in this way: Home equity is now included as it has been since this legislation has been in effect. A $30,000 asset reserve is established against the home, a $50,000 asset reserve against the farm and business assets, with an additional $50,000 against the farmland itself, and an $8,000 asset reserve against all other assets, totaling $138,000.

Senator PELL. Thank you.

Mr. MARTIN. Senator, could I make a comment on that?

I think the point that you make about social security is a very important one. We do not disagree with counting that as an educational resource, so that we do not have students being overawarded for Federal funds, but to count social security benefits and to apply it directly against the EI has a dramatic effect.

Let me give you an example of that. If you had a student that was totally needy, and he was attending an educational institution that cost $4,000, currently that student would be eligible for an initial grant, Pell grant, of $1,670.

Now, in addition, they might be eligible for, let's say, in this case, that they would be getting $2,000 for the academic year in social security benefits; that gives them total aid going into that school of $3,670, which is still below what the educational costs are that would have to be met from some other kind of help.

If you did the administration's proposal by adding the social security benefits directly to the EI, you would increase that zero EI up to $2,000, which would, in essence, make the student ineligible for Pell grants.

Now, the only resource that student has is $2,000. I do not think it is fair to tax that resource more heavily than any other resource, whether it is summer engineering or money that people have saved, or private scholarships, or from the school. We wholeheartedly support the concept of being overawarded, and if the social security or Veterans' Administration benefits would exceed the Pell grants, yes, the program should be reduced. Because you cannot reduce that at the school, because of the entitlement.

I think it is either more important when you look at the data that is provided by the recent GAO study that shows 84 percent of the families that receive social security benefits come from families below $7,050. Twenty percent of the students that currently receive those benefits in schools are black students as opposed to only 11 percent of the population; unfortunately, other information is not available on minority groups, but that is the poor of this country, and to counter that more heavily, to me, is reverse discrimination. I think the proposal that we have proposed is more reasonable.

Senator PELL. In connection with these forms, out of curiosity, what happens to a student who gives misinformation, reducing his family income, and gets a grant that is more?

Dr. ELMENDORF. Let me see if I can give a general answer.

As I understand the program, we have built into the program two payment systems which allows for us to detect any kind of error that may occur in the program, and correct that error before the second payment is made by adjusting any amount that may have been overawarded as a result of that error.

Senator PELL. I am saying, where the student fills in a misstatement intentionally, to say about what is the current family income, where it reduces it substantially. Is there any way of catching that?

Mr. VIGNONE. Senator, the computer processing portion, the computer process itself has built in a number of tolerance checks, very similar to what I suppose the IRS or other agencies do, such that the student, if he were to do something such as you suggested, which is outside the bounds of some reasonable tolerance limit, he would be rejected. If he comes back and says "No, I really mean that," yes, indeed, my father made $12,000 last year and he made $10,000 in Federal income taxes, just to continue with the example that you indicated, he would be rejected and selected for validation under a number of parameters.

In Dr. Elmendorf's opening testimony you will see some tables in the back of his testimony which indicates and gives ycu some data on how we have increased the validation effort over the years. Since we instituted needs in 1978-79, may I just briefly read a few figures.

We selected for validation that first year 119,000-some-odd students, who did something like you were suggesting, and in 1979-80 there were 3,200, and last year there were 5,000. So we do have an ongoing check of students who do these rather strange types of things.

Mr. MARTIN. I think I could attest to what Mr. Vignone says, because the institutions have to deal with that in going out to make sure that the data is correct.

Senator PELL. As I look through the form here, where you have income, item D, income and expense information, if you cut all the income expenses by 50 percent, they would balance out. What happens? Some students must cheat. When you catch one who does cheat, what do you do?

Mr. VIGNONE. Through our validation branch, we typically—I do not really know the details, but they are then—it is a criminal case. We submit the records to the Justice Department.

Senator PELL. If you could supply some statistics, since—any time period that you want, last year, last week, how many instances of cheating have you come across, how many cases have been referred to the Attorney General, how many cases have been brought to trial, how many have been convicted. I am just curious. I would like to know that.

Now, in the case of married independent students with no dependents, is there any differential for the situation where both people are students, as opposed to only one being a student?

As I understand it, under the administration's proposal, it appears in cases where both husband and wife are students, their income would be considered at 75 percent each. This would seem unfair. Is this correct?

Dr. ELMENDORF. That, I believe, is a correct interpretation. And as we look at the regulations, we are going to wait between now and the final comments to get more comments on that. I believe we may adjust the final regulations in that area because it does seem to discriminate against one specific population group.

Senator PELL. I would think so.

Now, also under the administration's proposal requiring no legislative changes, families with income above $16,000 would be dropped from program eligibility.

What would be the upper income figure under the proposed family contribution schedule involving changes in current law?

Dr. ELMENDORF. I did not catch the last part.

Senator PELL. What would be the upper income figure under your proposed family income schedule?

Dr. ELMENDORF. The figure I gave, I believe the testimony was that—the two figures which would be considered upper income to remain eligible in the program, under the notice of proposed rulemaking, current law, with the stringent rate would be $15,800. However, if you were to enact the legislative proposals, that eligibility pool adjusted gross income would increase to $27,054.

Mr. SAUNDERS. That is accomplished by dumping Veterans' Administration and social security recipients and cutting the maximum award to $1,670. In other words, they keep families up to $27,000 income in the program by penalizing the neediest students.

Dr. ELMENDORF. I would react to that by saying the Veterans' Administration and social security aspects is about $220 million cost savings.

My purpose in making that known to you is that with those moneys taken out of the Pell grants formula, we make $220 million available to other low-income recipients who do not have at their advantage that social security or Veterans' Administration funds.

Mr. SAUNDERS. You also do it by reducing the grants to the very neediest students from $1,800 to $1,670, so that students at the upper end of the income scale can receive very minimal awards.

Dr. ELMENDORF. That may be true, Mr. Saunders, but I would call to your attention the table at the back of my statement that the award does increase rather than decrease over current 1981-82 levels, and that the program dollars in fact, the percent of people who accept program dollars, increases rather than decreases with our proposed legislative changes under the proposal.

Senator PELL. If the Department of Education is dissolved and divided up amongst other agencies, which some of us on the Hill will oppose very strongly—the chairman does, and I do—but if the administration prevails, would your shop remain? Where would your shop go, in your view?

Dr. ELMENDORF. I do not have an answer to that question, Senator.

My hope would be—and I believe the Secretary has expressed this publicly—he would attempt in any new organization proposal

which he submitted to keep the program together, and I would assume he would mean student aid programs.

Senator PELL. Would that be GSL?

Dr. ELMENDORF. I think his statement did not exclude any of the programs.

Mr. SAUNDERS. I might say, Senator Pell, that we are concerned about that rumor, that the student aid programs might go to the Treasury Department. We are particularly concerned because of the expressed view of the Treasury in testimony in recent weeks by Assistant Secretary Chapoton in supporting tuition tax credits, that need based aid, Pell grants, and other forms of Federal assistance are cumbersome and a complex way to provide assistance to students, and the easiest way to do it is through tax credits. That is the attitude of the Treasury at the current time, and it certainly does not fill us with any sense of optimism about the future of student aid to know that the administration is even considering the idea of putting student aid programs in the Department of the Treasury.

Senator PELL. Do you have a view, Mr. Saunders, in regard to tax credits?

Mr. SAUNDERS. Yes, Senator. I think the higher education community has a very strong consensus on the issue that our highest priority is need-based assistance. That is our top priority, and we would oppose any attempt to substitute tax credit assistance for need-based aid.

Senator PELL. What would your position be, Dr. Martin?

Mr. MARTIN. Exactly the same as Mr. Saunders.

Senator PELL. Would you tell us which of the administration's legislative suggestions for the Pell grants program, the higher education community could accept? I am addressing this question to both Mr. Saunders and Mr. Martin. Which should be rejected, and the reason for your thinking?

You may want to submit this for the record.

Mr. SAUNDERS. We are testifying in opposition to both of them. I think we would feel that the alternative option proposed by the administration would be a more desirable one, if you assume that only $2.1 billion is available for Pell grants as the administration is assuming. That is a very important caveat because we are hopeful that the Congress will provide significant additional funding.

Senator PELL. Another thing, I think it is the very suggestion that Dr. Elmendorf set forth, or that I read somewhere, that the proposed way of cutting back, which of those could the educational community accept, if any?

Mr. SAUNDERS. I think we already testified about the progressive tax rates, and we have specifically asked that the family contribution schedule be modified too, along the lines of the administration's alternative proposal.

Also, updating the family size offsets, which the administration, I understand, supports and the assets reserves for inflation.

Mr. MARTIN. Senator, I might add that I think we would also agree that probably updating the family size offsets as the administration has recommended, although I would point out that it is important and we have included a table in our additional statement that shows that actually those offsets are still lagging behind. So

they are understated because we did not update the family size update last year as pointed out in the RPM, and the figures that we used to adjust them this year are less than the offsets were last year. Because we used the lower rate of inflation, 12 percent last year was never put in. So there are some delays on this, but if budget constraints is the issue and we have to do that, that may be something that we have to continue to live with for a short period.

But I think again it underlines the importance of, with that kind of reduction, then the social security and Veterans' Administration, which we would oppose the administration's approach; we could support their concept on looking at asset treatment, but we would suggest in a way that would not require operational nightmares by rejecting those forms. And even if I am wrong on my figure of 340,000, I do not think it should be affected. It does not speak well to good management of what we are trying to do in terms of that whole process.

But I think that additionally one thing we should put in, which is not requested here by the administration but is alluded to in their preamble, as one of their problems, is the rate table reduction language. I think to develop some kind of linear reduction that at least it would do that fairly for people. It would make some sense and provide the administration for some mechanism if appropriation levels are not sufficient, that they would have a more reasonable way of awards for everyone rather than the flat percentages or the step functions that now occur.

Senator PELL. Thank you very much.

I would say at this time to Dr. Elmendorf, within a very few weeks the final reconciliation figure should emerge from this organization, the Congress, and I would hope that whatever proposal you make be made in such a way that it adopt the final figure. Because you may find that the Congress does not agree with the President on the $2.18 billion.

We do not know yet and we will have to see. I also would like you, if you would, Dr. Elmendorf, to provide for the hearing record the detailed estimate of the individual and cumulative cost effect of each of your suggested legislative changes, including the number of students who would be affected and the income distribution of such students.

Dr. ELMENDORF. Did we not include that information in our packet?

Senator PELL. I am informed that you did not: I stand corrected if you have already done that.

Dr. ELMENDORF. If we have not, we would be glad to provide it because it is done. There is a series of tables in each packet that should have that information in it.

Senator PELL. I am asking the staff now. We have the overall figures, but what we are asking for is the breakdown for each of the proposals, of the individual and human cost effect of each of the legislative changes.

Mr. VIGNONE. The income distributions are there. We also have, if I can find it, very quickly—I do not have this one in the testimony, but there are six pages.

Senator PELL. Let's leave it this way. If you have convinced the staff that you have given it to us already, I am convinced. Otherwise, if you would, as soon as you can, give it to us.

Dr. ELMENDORF. I think we have, Senator, and we will make it available right now.

Senator PELL. I appreciate it very much. At this point I would ask that the record stay open for 24 hours for any further questions that may be submitted in writing to you.

Thank you very much for coming up. And as I say, as we see new administrations come and go now and for a good many years, and Dr. Elmendorf will have his constraints, I would hope that we can all work together as much as we can to alleviate the harshness of these proposals of our nation's students.

I want to thank you for coming and I look forward to your being in touch. I hope you go back to the Department of Education saying how much we on the Hill are going to try to make sure that you do not work with that $2.1 billion, and work with the other one, but we will not know the answer for a little while.

[The following material was received for the record:]

AJCU

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October 28, 1981

To: Senator Robert Stafford and the members of the Subcommittee on Education, Arts & Humanities

From: Joseph Kane, Vice President

Subject: Proposed changes in the Expected Family Contribution Schedule and Need Analysis for Pell Grants and the campus-based programs.

As you are aware, the Department of Education published proposed rules for need analysis and expected family contributions for academic year 1982-3 in the October 16, 1981 Federal Register. The Association of Jesuit Colleges and Universities wishes to express its approval of the general direction of the proposed rules. In particular, we support the separation of the need analysis for Pell grants from that for the campus-based programs.

Before being precipitous, however, let me say that we disagree with the assumption of the Department that only $2,187 billion should be appropriated for Pell grants. While we agree with most of the formula changes predicated on that level of funding, we believe that not only should it should be higher but that Congress will raise it more in line with the Omnibus Budget Reconciliation Act of 1981.

In its "Rationale for the Development of the Proposed 1982-83 Formula," the Department identifies a number of options under which an appropriation can be distributed to students, and then recommends an alternative. We support the alternative, in the hope that the Department is serious in its recommendations. Our comments refer to the alternative formula.

We strongly support the goals indicated:
a) avoid extreme reductions in awards to students from low-income families;
b) avoid excessive assessment rates on discretionary income;
c) remove inequities due to assets and resources;
d) retain the distinction between the need analysis for Pell grants and the campus-based programs.

In line with these goals, we agree to:

- the retention of the $1670 maximum award(as in 1981-2) and of the half-cost formula,

- the establishment of benchmark figures for need analysis by the Secretary,

- the tax rates suggested for discretionary income proposed on page 51185, column 2, section(g). We invite the subcommittee, however, to investigate the possibility of a linear reduction schedule with a "hold-harmless" for those students with the lowest eligibility index (0-600) for the future.

- deferral of the cost-of-attendance provisions of the Education Act of 1980.

Our disagreements with the "alternative" are minor, but we call them to your attention:

We question the advisability at this time of need to reduce expenditures to raise the asset exclusion of farms and businesses so much more than of others. The differences between the two amounts would be increased to $70,000, if allowed.(p.51185, column, section (d).)

In discussingthe "Treatment of Dependent Student Income," the Department proposes to "drop the dependent student income offset that has been used in the past." (p.51186, column 1), and that it would be added to parental income. We would suggest that in place of total elimination of the offset, that only one-half be applied to parental income.

In addition, while the Department invites "comments on the entire procedure for verifying campus-based financial aid applicants,.."(p.51187, column 2), we wish to express concern about the relation of cost to effort and results. Currently, institutions are audited at least every two years and that should be sufficient guarantee of accuracy of applicant validation.

Finally, although we have no objection to the criteria for determining whether or not the student is independent -- that the student will receive not more than $750 in support from parents - we are inclined to believe that it should remain the same as this year: not more than $1000, if only to prevent additional paperwork.

We hope that you will take these comments into consideration if you decide to make changes in the areas note above. By and large, we think that the Department has tried to come to grips with the pressing problems of time and equity in student financial aid and we are supportive of its efforts.

We also urge you to support the appropriation levels for student aid which Congress recommended when it approve the Omnibus Reconciliation Act of 1981, when it reaches the floor for a vote.

Respectfully,

Joseph Kane

Joseph Kane
Vice President

The College Board
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(202) 332-7134

Washington Office

November 4, 1981

Honorable Claiborne Pell
U. S. Senate
325 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Pell:

During the October 29, 1981 hearing on the Family Contribution Schedule before the Subcommittee on Education, Arts and Humanities, you expressed some important concerns about the implications for students if the eligibility criteria for Pell Grants continue to be separate from need analysis for the campus-based aid programs. In particular, you asked: if need analysis is "decoupled" as the Administration has proposed, would students still be able to fill out only one form?

The answer is a definite "yes." Students applying for Pell Grants and campus-based aid for next year (academic year 1982-83) will still be able to file one application for all federal student aid on any one of five approved forms: the Education Department's form; the Family Financial Statement of the American College Testing Service; the Financial Aid Form of the College Scholarship Service (CSS); and the application forms of the California Student Aid Commission and the Pennsylvania Higher Education Assistance Agency (for California and Pennsylvania students/residents respectively).

All of the approved forms have a substantially identical set of questions, or "core data," for applying for all federal programs. The Education Department's form includes only the core questions, whereas the others have both these core questions for federal aid and supplementary questions needed by states and institutions to assist in the award of aid from non-federal sources. A student applying only for federal aid can complete any of the five approved forms. Decoupling the need analysis means only that the core data are calculated in two ways--one for Pell Grants and one for campus-based aid, as under current procedures. But no additional forms or data are needed from the student.

On a related issue, the Education Amendments of 1980 provided that students not be charged a fee for processing the data required for federal aid. To assist students in instances where states or institutions need the supplemental data from the Financial Aid Form, and where payment of a fee might be a barrier to receipt of aid, the CSS Council has instituted a fee waiver program for the 1982-83 Financial Aid Form. Under this procedure low income students applying for federal, state, and institutional aid can do so free of charge. The waiver is administered through high school counselors and TRIO and other outreach programs. As this is the first year for this procedure, we will be monitoring its progress closely, and will be pleased to share the results with you and others.

I hope this information is helpful. My colleagues in the College Scholarship Service and I would welcome any questions or comments from you or your staff as we work toward the common goal of reducing barriers to postsecondary education.

Sincerely,

Lawrence E. Gladieux
Executive Director

Senator PELL. On behalf of the chairman, I adjourn the hearing.
[Whereupon, at 3:50 p.m., the subcommittee was adjourned.]

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